

No. 10298

United States  
Circuit Court of Appeals

For the Ninth Circuit.

NORMAN H. MARSHALL,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United States  
for the Southern District of California,  
Central Division

FILED

JUN 26 1933

PAUL F. O'BRIEN,

CLERK



7. *Handwritten text, possibly a signature or name, followed by a checkmark.*





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for the Southern District of California,  
Southern Division



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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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Form No. 195

United States District Court, Southern District of  
California, Central Division

No. 14988

THE UNITED STATES OF AMERICA,

vs.

HELEN MAY FAWKES, et al.

## INDICTMENT

Viol: 18 USC 338 and 88

At a stated term of said court, begun and holden at the City of Los Angeles, County of Los Angeles, within and for the Central Division of the Southern District of California, on the first Monday of February in the year of our Lord one thousand nine hundred and forty-one;

The grand jurors for the United States of America, impaneled and sworn in the Central Division of the Southern District of California, and inquiring for the Southern District of California, upon their oath present:

That prior to the several acts of mailing herein-after alleged:

Helen May Fawkes;  
Llewellyn F. Marsh;  
Norman H. Marshall;  
Albert A. Martinez; and  
Charles W. Talbott,

hereinafter called the defendants, whose full and true names other than as herein stated are to the grand jurors unknown, late of the Central Division of the Southern District of California, heretofore to-wit: on or about the year 1938 and thereafter to and including the date of the finding and presentation of this indictment, at Los Angeles County, State of California, and at divers other places to the grand jurors unknown, did devise and intend to devise a scheme and artifice to defraud Joe F. Haillard; George Humbrecht; E. J. Cheatham; Phillip G. Bitner; T. Claggett Jones; Arthur K. Barnes; E. M. Grobel; M. Bright; Bernard Ghio; Richard H. Michaels; Edith I. Fitch; Melville A. Greene; E. F. Bader; R. M. Carr; B. W. Helm; P. A. Berryman; H. R. Browne; Ralph A. Burke; Ralph A. Bergen; L. C. Whitby; R. M. Lawless; James Gregory; Byron Kennedy; E. M. Schutt; Frank R. Hoath; Harold E. Weeks; Milburn Easum, Jr.; George H. [2] Broderick; Cecil I. McReynolds; Earl Williams; Jim Burke; J. E. Waggener; James T. Bostick; Robert Langstaff, and other persons to the grand jurors unknown, and from members of the general public who answered advertisements inserted in various newspapers and other publications, who would sign letters bearing their names and addresses, whose full and true names other than as herein stated are to the grand jurors unknown, and which persons are hereinafter called the persons intended to be defrauded, and to obtain money and property from said persons intended to be defrauded by means



of false and fraudulent pretenses, representations, statements and promises hereinafter set forth, which said money and property said defendants intended to convert to their own use and gain without giving or intending to give the persons intended to be defrauded anything of an equivalent value or anything of value in return for their said money and property, which said scheme and artifice was in substance as follows, to-wit:

That the defendants would insert and cause to be inserted in the classified columns of newspapers throughout the United States advertisements for resident managers in various localities, stating therein that the business connection would be permanent, that the income would reasonably be \$6,500 and more yearly and that a cash deposit in varying amounts, ranging from \$1,500 to \$3,750, was required and would be "secured and returnable";

That the defendants, under the name of Direct-U-Systems, would mail letters to the persons intended to be defrauded who had responded to the advertisements, and acknowledge receipt of the reply, and state that a representative would call to explain the proposition in person, that the proposition was "not a promotional matter", that the company had "nothing to sell" to the applicant, that it was desired to select a person interested in a "permanent connection which increases yearly", and that the company "must virtually guarantee the success" of the person to be selected; that the money obtained by said defendants as a deposit from the franchise holders, as advance rentals, was



not to be [3] returned to the franchise holders but retained by the defendants for their own use; that when a franchise holder found it impossible to make the large earnings promised to him by said defendants, or any earnings at all, and would demand the return of his money, which said defendants had induced him to deposit with the company to guarantee his success, said defendants under the name of Direct-U-Service would refuse to return such deposit of money, or any portion thereof, but would offer to give in lieu thereof a worthless document known as a "re-purchase agreement" wherein they would agree to pay to said franchise holder a percentage of any moneys received by the company from others in the same territory whom said defendants might induce to take a franchise.

That thereafter defendants would contact the persons intended to be defrauded and by oral statements, letters, circulars, printed literature, telegrams, photographs and sales kits would represent and pretend:

That Direct-U-Systems was a corporation organized under the laws of the State of California, was a company of good reputation, of high integrity, of unlimited credit standing and the exclusive manufacturers of electrical directories for display in the lobbies of hotels;

That Direct-U-Systems was in a position to give permanent, lucrative and noncompetitive employment to persons who would agree to become franchise holders and distributors of said directories in given territories, and who would pay sums of money

to the company as advance rentals on a specified number of directories;

That a person who would become a franchise holder would be given the exclusive right to install directories in his territory and to rent space to business concerns thereon at certain stipulated weekly, monthly or yearly rates and to keep all moneys so derived with the exception of that portion agreed upon to be returned to the company as royalties, and that large earnings, pyramiding as the number of boards increased, would be earned thereby by the franchise holder;

That Direct-U-Systems, in consideration of an annual rental fee for each directory furnished, would immediately supply a franchise holder [4] with as many of said devices as needed for placing in hotels and would install and maintain same at all times without cost or expense to the franchise holder; whereas in truth and in fact, as each of the defendants then and there well knew, the Direct-U-Systems was not a company of good reputation, high integrity and unlimited credit standing, and was not the exclusive manufacturer of electrical directories; that it was not in a position to give permanent, lucrative and noncompetitive employment to persons agreeing to become franchise holders; that it would not and could not maintain the same at all times without cost to the franchise holder or at all;

That the success of the franchise holder would be guaranteed and that the money deposited by him

with said company would be secured and returnable; whereas in truth and in fact, as each of said defendants then and there well knew, the success of a franchise holder would not be guaranteed and the money deposited would not be secured and returnable;

That earnings of \$6,500 and more per year were being made by franchise holders holding franchises from the Direct-U-Systems; whereas in truth and in fact, as each of the defendants then and there well knew, no earnings at all were being made by franchise holders and none would be made by others who would take franchises, but on the contrary such franchise holders had suffered and would suffer loss, disappointment and damage through their dealings with Direct-U-Systems;

That the business of Direct-U-Systems was international in scope, that the company had a long record for successful operation and was in a position to render satisfactory and continuous services; whereas in truth and in fact, as each of said defendants then and there well knew, the business was not international in scope and the company did not have a long record or any record at all for successful operation; and in truth and in fact was not in a position to render satisfactory and continuous service, but on the contrary was poorly financed, managed and equipped and was without adequate facilities to comply with its contracts and carry on a successful business; [5]

That electrical directories, manufactured by Direct-U-Systems, were then and there installed and

in operation in the lobbies of the Hotel Multnomah, located in the City of Portland, State of Oregon, and the New Washington Hotel, located in the City of Seattle, State of Washington, and that they were satisfactory, successful and in good order; whereas in truth and in fact, as each of said defendants then and there well knew, directories of Direct-U-Systems were not then or ever had been in said hotels, but that directories manufactured by the defendants at a prior time under the name of National Directory Systems, a company which had failed and gone out of existence, had been in the lobbies of said hotels for a short period of time in 1938 and 1939, and that said directories had not been satisfactory and successful and had not been kept in good order, but on the contrary had been removed from the hotels because they had proven to be a failure;

That the directories of Direct-U-Systems were unique and the first and only advertising medium of this kind to be on the market; whereas in truth and in fact, as each of said defendants then and there well knew, they were not unique and were not the first and only advertising medium of this kind to be on the market, but on the contrary similar devices were then and there on the market and had been on the market for many years, including the directories which the defendants had theretofore marketed and operated unsuccessfully under the name of National Directory Systems;

That the directories of Direct-U-Systems were in



great demand by hotels and business men and that space for the installation of the boards in the lobbies of hotels and subscriptions for advertising thereon were readily obtainable; whereas in truth and in fact, as each of said defendants then and there well knew, said directories were not in demand by hotels and business men and space for the installation of the boards in the lobbies of hotels and subscriptions for advertising thereon were not readily obtainable, or at all;

That the directories of Direct-U-Systems were protected by patents [6] and patents pending and that franchise holders would not have any competition in distributing said directories and selling advertising space thereon; whereas in truth and in fact, as each of said defendants then and there well knew, the directories of Direct-U-Systems were not protected by patents and patents pending and the franchise holders would have no protection whatever against competition, but on the contrary were compelled to compete with others operating in the identical line of business who were so operating at the time the franchises were bought by those whom the defendants intended to defraud and previous thereto as the defendants then and there well knew.

That the directories of Direct-U-Systems would be substantially constructed and free from defects and mechanical errors and would render steady and dependable service; whereas in truth and in fact, as each of said defendants then and there well knew, said directories would not be substantially con-

structed nor free from defects and mechanical errors and would not render satisfactory and dependable service, but on the contrary were subject to frequent interruptions and discontinuances due to imperfect construction;

That the directories of Direct-U-Systems would be shipped to franchise holders promptly upon order; whereas in truth and in fact, as each of said defendants then and there well knew, said directories would not be shipped promptly upon orders but that the shipments would be delayed for long and unreasonable periods of time;

That Direct-U-Systems would maintain and service the directories shipped to franchise holders and installed in hotels and would at all times keep said directories in good working order and mechanical condition; whereas in truth and in fact, as each of said defendants then and there well knew, the company could not and would not maintain and service said directories and could not and would not at all times, or at any time, keep the directories in good working order and mechanical condition.

That said representations, pretenses and promises were made or [7] caused to be made by said defendants to persons intended to be defrauded as a part of said scheme an artifice to defraud said persons intended to be defrauded, as aforesaid; that said representations, pretenses and promises were made and caused to be made by said defendants to said persons intended to be defrauded through and by means of certain oral statements, writings and papers so worded, constructed and expressed as to

deceive, and they were then and there intended to deceive said persons intended to be defrauded and any person who might hear or receive them; which oral statements, circulars, letters, advertisements, bulletins, writings and papers are too numerous and too voluminous to be set forth in this indictment and for that reason the grand jurors, aforesaid, omit the same;

And the grand jurors aforesaid upon their oath aforesaid do further present that said defendants, on or about March 29, 1939, in the Central Division of the Southern District of California, and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, unlawfully, wilfully and feloniously, did knowingly place and cause to be placed in the United States Post Office at Los Angeles, County of Los Angeles, State of California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to

Mr. R. A. Burke

625 Hyde St

San Francisco, Calif

to-wit: a letter of the following tenor: [8]

(Envelope)

(Stamped)

Direct -U- Systems

General Offices

301 N. Laurel Ave.

Los Angeles, California

Mr. R. A. Burke

625 Hyde St

(Stamped) San Francisco, Calif.

Direct -U- Systems

General Offices

301 N. Laurel Ave.

Los Angeles, California

March 29, 1939

Mr. R. A. Burke

625 Hyde St

San Francisco, Calif

Dear Sir:

We wish to acknowledge receipt of your reply to our recent advertisement for a resident manager.

Our Division Manager, Mr. Robert Johnstone will be in your vicinity within a few days, and we are asking him to advise you of his arrival and to arrange a conference with you.

It is rather difficult to go into details pertaining to our proposition, except to say that this is not a promotional matter and we have nothing to sell you. Ours is a highly ethical and legitimate business proposition, dealing only with the larger business organizations, banks, etc. We are dependent on



selecting a person of good general business experience who is interested in a permanent connection with an assured income which increases yearly. We must virtually guarantee the success of the one we select.

In the meantime we trust that you will make no other connection until our Mr. Johnstone has had the opportunity to see you, as we are confident that a conference will lead to a mutually profitable and pleasant future.

Very truly yours,

DIRECT-U-SYSTEMS

By C. M. TALBOTT

T/A

~~Vice~~ President

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [9]

## SECOND COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about April 26, 1939, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the

jurisdiction of the United States and this Honorable, Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to

Mr. R. A. Burke  
625 Hyde Street  
San Francisco, Calif

to-wit: a letter of the following tenor: [10]

(Envelope)

(Stamped)

Direct -U- Systems  
General Offices  
301 N. Laurel Ave.  
Los Angeles, California  
Air Mail

Mr. R. A. Burke  
625 Hyde St  
San Francisco, Calif

Direct -U- Systems  
General Offices  
301 N. Laurel Ave.  
Los Angeles, California

April 25, 1939

Mr. R. A. Burke  
625 Hyde Street  
San Francisco, Calif

Dear Mr. Burke:

Your letter of April 24th addressed to Mr. Talbott has been turned over to me for answer. I have also read a few others.

Taking up the question of hotels. I never told you I would or the company would get you any particular hotel. I did tell you however that I felt sure the company would be able to get you a hotel to start on. That the company would cooperate with you in lining up the hotels and I showed you the letter they sent out to the hotels. I suggested that the El Cortez in my opinion would be a good hotel to start on and you agreed and I felt sure it could be lined up but did not guarantee we would get it or guarantee getting any hotels. You figured yourself the hotels would be easy to get in view of the fact they received a hundred dollars. I also showed you how we figured the number of people that came in and out of the lobby of a hotel by the number of rooms in that hotel. I went over this with your salesmanager very carefully and he brought the hotel situation up while we were discussing the deal. But as far as guaranteeing or

promising a certain number of people in or out of the lobby, we cannot do that nor can anyone do that, as it will vary on the number of rooms and the location of the hotel. The company tells me that they have sent you copies of leases of eight or nine hotels which includes the El Cortez and the Shaw Hotels, so I don't see as you have any kick coming on this question. In fact Mr. Burke, I think the company has certainly cooperated with you. It seems to me that all you have done is complain instead of getting in and working which is your part of the deal. You read the contract over and we went over it quite a few times and I think the company is living up to it as much as is possible for any one to do.

Regarding the patent. There was very little said about that particular fact. I told you it would be a good thing if there was some competition. The fact of the matter is there are no boards like ours in any hotel in San Francisco that I know of and you had plenty of time to go around and visit these hotel lobbies and check up on them. I still don't see what difference it makes whether they are patented or not. If you get a board in a certain hotel they are not going to let another one in. There is no cabinet made that I know of that has the moving card system in the middle and that to me is the outstanding part of the whole cabinet and that is a feature which you liked very much.

If someone comes along after you have taken this franchise and offers you another cabinet without a cent down and no royalty, that is a case of

being too bad that you did not run into it before you went into this and we are not to be blamed for that. I turned down a party there after you took the deal, who phoned me they would take it, but I told them I had already closed the deal there and I told you about that. He might have offered me twice as much, but in view of the fact that I closed with you and had signed the franchise, it would have made no difference if he should offer three times as much. It does not make any difference what someone else offers you, you knew what we offered and what money you had to put up and you had plenty of time to investigate and you did not look to me like a man that needed a guardian. In fact Mr. Burke you looked like a man who would make a success of this proposition, and you assured me that you could, otherwise I would have made a deal with someone else, as I only interviewed about six altogether.

I am sure if you get down to business and go after it you will do some business as there is plenty there and you have the outstanding advertising proposition there is on the market in my opinion, and nearly everyone I talked to thought the same thing. Your salesmanager told me he had looked at a great many different deals and this was the only one that had real merit and if he had not thought so he would not have signed up a contract to take the deal over, and you told me you thought he was a fine fellow and a high class man and I did too. It seems to me that all you do is crab instead of working, even before you have started. There was never any question in your mind but that you



could put it over, otherwise you never would have taken it over. All this talk about what someone else or a competing company offers you has nothing to do with this deal.

Our contract which you read over carefully very plainly states that the company is to receive 15% and that is what they expect and are entitled to and it is fair and equitable and it does not make any difference if someone else comes along and does not require any royalty—this is our deal and the one that you entered into in good faith. I am sure that you will find this company always ready to co-operate with you in every way in their power and that is all that anyone can do, as it is to their interest as well as yours.

Very truly yours,

A. MARTINEZ

An International Service

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Direct -U- Systems  
General Offices  
301 N. Laurel Ave.  
Los Angeles, California

April 26, 1939

Mr. R. A. Burke  
625 Hyde St  
San Francisco, Calif

Dear Mr. Burke:

We are in receipt of your favor of the 25th., and we are attaching herewith Mr. Martinez's answer to same, which we referred to him.

We feel that you are apparently laboring under some false impressions and you are apparently getting some bad information.

There has never been any attempt to state that the Directory System is patented in all details, but we do have an exclusive on the revolving cards which we do have the patents pending on.

It is impossible to cover all of the Directory features in patents as there is nothing basically patentable on this type of equipment with the exception of design patents, but the revolving equipment that we have is patentable.

There is no other competitive equipment that we know of that is making the headway or being accepted by the hotels, as our equipment, and of course you can readily appreciate that there are always people who attempt to imitate any successful project and apparently you have run across someone who is attempting to imitate our system.

The fact that some imitator has offered to you as you claim, a similar service for less money and smaller royalties is of course of no interest to us, and you can rest assured that there is no equipment that can or will give you the cooperation that we will, and they most certainly cannot render this cooperation on a lesser basis than we do.

We have seen one or two people who have attempted to start in competition and we have seen them fold up due to their inability to build the type of equipment or render the service that we do.

You thoroughly understood the proposition that you entered into and we advised you when the con-

tract was received, that if there were any portions of that contract that you were not thoroughly familiar with or any portions of the contract that you did not understand, that you should advise us immediately, so there is no question but that you thoroughly understood the contract. We are not interested in modifying the terms of the contract in any way.

Relative to the dates on the leases. This is inconsequential, as they all call for a definite period of time after the date of installation.

Also, we make no representations that we furnish you any specific number of hotel leases or that we even furnish you any, but we do agree to give you the right to use any leases that we do secure. In your instance we have seven or eight good leases and we would suggest that you start work on this immediately.

You apparently are being misinformed or you are not going to the trouble of checking your statements, as you state that the El Cortez has only 175 rooms, while the Red Book shows very plainly that they have 325 rooms, and the Bellevue has 300 rooms.

If any of the leases that you feel, as you say, have "jokers" or terms contrary to the standard forms, you are not obligated to use these leases, but you can either secure additional leases as provided for in our agreement made in the name of the company, or you can abide by the terms of the leases which in every instance should work to your advantage.



The only differential on the leases that we are willing to absorb and in accordance with our policy as we outlined,—that the hotel leases are based on \$100.00 but at one time we had considered allowing the hotels 10% and adjusting the royalty to assist in adjusting the possible remuneration to the resident manager.

We would suggest very much that you settle down and go to work as you have all the equipment that was agreed upon and you have been rendered more cooperation than we agreed to, but we are extremely interested in assisting you in getting started in any reasonable manner.

We are not interested in entering into a long discussion by correspondence relative to any other advertising medium that you may or may not have been offered, but we have only one proposition and that is the one that was submitted to you.

You had ample time to investigate this proposition and it is one that you entered into with full knowledge as to the contents of the agreement and no misrepresentation was made that we would even get hotels for you, but we are of course extremely interested in securing hotels, and in that way it is possible for us to mutually benefit.

Very truly yours,  
DIRECT-U-SYSTEMS

By C. W. TALBOTT

T/F

Encl.

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [11]

### THIRD COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about November 9, 1939, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. C. I. McReynolds  
1010 Vermont Ave., N. W.  
Washington, D. C.

to-wit: a letter of the following tenor: [12]

Our new address is  
7225 Beverly Boulevard  
Los Angeles, California

Direct-U-Systems  
General Offices  
301 N. Laurel Ave.  
Los Angeles, California

November 9, 1939

Mr. C. I. McReynolds  
1010 Vermont Ave., N. W.  
Washington, D. C.

Dear Mr. McReynolds:

We wish to acknowledge receipt of your favor of the third requesting information relative to the patent situation.

Of course, there are certain features that make it impossible to secure a basic patent, but we do have the patent pending on other features including the card-changing equipment.

As you undoubtedly appreciate, it is always much more advantageous to keep a patent pending as long as is possible without divulging to the public what coverage is made by your patents.

We can assure you that you will have no difficulty in regards to the patents, and we stand back of them and it is our obligation to take care of the installation and maintain the equipment.

We do not feel that this point can be advantageously used one way or the other in reference to your sales.

We are having a display at the National Hotel Convention this week and have shipped them a very beautiful installation and have written the chain hotels throughout the country, many of which have hotels in your area, which we feel sure will be quite advantageous in the event that you desire any additional hotels.

Very truly yours,

DIRECT-U-SYSTEMS

By C. W. TALBOTT

T:DR

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [13]

#### FOURTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about February 8, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and

feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. E. M. Schutt,  
1026 Williamson Blvd.,  
Cleveland, Ohio

to-wit: a letter of the following tenor: [14]

Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

February 8, 1940

Mr. E. M. Schutt,  
1026 Williamson Blvd.,  
Cleveland, Ohio

Dear Mr. Schutt:

I wish to acknowledge your letter of the 30th and regret that it has not been answered sooner, but we have had quite a lot of illness in our organization.

We are extremely sorry that you are having so much difficulty in getting started and we feel that you are letting some implications get you unduly worried. As far as anyone having identical equipment to ours, including the Rotating machine, we would appreciate your sending us the information on to us as we have never run into it. It is possible, of course, for someone to reproduce an electric direc-



tory but they are not comparable in the value that is rendered to the merchant. We have run into definite cases where the salesman of the competitor wanted to quit and work on our proposition because they could see the many advantages.

We are not interested, and you should not be interested in the other fellow and his arrangement. You can rest assured that you have equipment that has much more of an appeal than any competitor can possibly have. If you will send us a list of the hotels that you desire to have leases we will write them direct telling them of the many advantages, we feel that the standing of the company and your personal standing, we should have no difficulty in getting them to reconsider in giving you a lease for an installation.

As far as the Better Business Bureau, they are perfectly at liberty to make any investigation they desire as our company is operated on an extremely ethical basis. We, of course, are not in a position either to know or state about any competitor.

We appreciate as well as you must, that it is quite unpleasant on the part of the Better Business Bureau to go out of their way (as you have conveyed the thought) to create trouble for you, as their purpose should be as an investigating organization and not a trouble-making one.

In reference to the National Directories System, we have very carefully investigated their connection with the Robot Map Service and the president of the Robot Map secured the control of the National Directories System a couple of years ago. We know

that they are constantly being tied in with law suits on the National Directories set-up and that they are one and the same company. Of course, we have no information as to the truth of these assertions and there is no way we can secure this information for you.

We did have some information a month or so ago that the salesman of the Robot Company had quit and they were ready to fold up; but again, we are not in a position to substantiate these facts other than we can say it is heresay.

The Direct-U-Systems, nor any of its officers have any connection with the National Directories or the Robot Map Service.

Several years ago the writer did have a financial interest in the National Directories but sold all of his holdings in March, 1938, to Mr. Young who is the president of the Robot Map Service.

Outside of this, there is no other information we can give you with the exception that the Direct-U-Systems has exclusive features that no other company has, and also that the company operates on an extremely ethical basis.

If you do not feel that you have an opportunity to go ahead with this work, of course we will endeavor to work out some arrangement to secure someone to take over your contract which, as you know, provides that you have paid the advance lease rental on two Systems to be delivered to you in accordance with your contract and when you furnish us with the necessary data to complete the equipment.

We feel confident that a man of the type that you are—judging from the recommendations of Mr. Morgan, that if you would apply yourself to the development of your territory and let the competitor do likewise or as he desires, you will be successful. We suggest that you forget all about the other fellow and go ahead with your business which cannot help but be productive.

Yours truly,

DIRECT-U-SYSTEMS

By C W TALBOTT

nh

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [15]

## FIFTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about May 1, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously



knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. Harold E. Weeks,  
160 Fifth Avenue,  
New York City

to-wit: a letter of the following tenor:[16]

Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

May 1, 1940

Mr. Harold E. Weeks,  
160 Fifth Avenue,  
New York City

Dear Mr. Weeks:

We received your telegram giving us the information that the Waldorf installation was made by the National Directory Systems for that hotel while the writer was president of the old company.

This is all news to us as the writer has had no interest in the National Directory Systems since the early part of 1938—and to the best of his recollection, there was never any lease on the Waldorf Astoria. Of course, any operation of the National Directory is out of any jurisdiction or suggestion of the writer. However, if you will send us the

names of the advertisers on there it is quite possible that we could get some of the creditors for the old National Directory Systems to demand that the payments be made direct to them. This, of course, you can readily appreciate will stop any operations in a hurry on the National Directory.

In reference to the rotating machine—we are tooling up to get this equipment in manufacture. But as we requested some time ago, if you will give us your reaction as to any changes, etc., we would appreciate it very much. We were advised by Mr. Musorofiti that the operation was very good in the Park Central—in fact, it was running satisfactorily. However, he recommended and suggested that we furnish one of the new rotators, which we intend to do.

We asked you sometime ago to send us the copy on some of your cards, and we would be only too happy to cooperate and would have some of them re-made here to take care of the damaging there.

We have not been able to get any reports as to the additional sales of any space on either the Park Central or on the Imperial—nor have we been able to get any cooperation from you in furnishing us the data we requested so we could prepare some special selling material for you.

We are quite at loss to understand your total lack of cooperation and your indifference to this situation, as we are extremely anxious to work out and cooperate with you in every way possible. You can readily appreciate that the only way we can

hope to profit by this is through your installations and the royalties which would be forthcoming.

If you will go through your file for the past few months and furnish us the information we requested, we will be able to furnish you some additional selling helps which we believe will be quite advantageous to you.

In the meanwhile, we are proceeding with the development of the new rotating machine. We assume from the information that Mr. Musorofiti has furnished us and your lack of advising us to the contrary—that the rotating machine is functioning perfectly in the Imperial and there would be no changes suggested.

We would appreciate it, however, if you would have a photograph made of the installation in the Imperial so that we could keep our records complete.

If there is any other cooperation and assistance we can render you, please do not hesitate to call upon us. We are extremely interested in your success and will cooperate with you in any way that is in line with good business.

With the kindest personal regards, we are

Yours very truly,

DIRECT-U-SYSTEMS

By C W TALBOTT

President

CWT/nh

An International Service

[Stamped]: Received May 3 1940

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [17]

### SIXTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about June 7, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. Byron Kennedy,  
604 West Columbus Ave.  
Bellefontaine, Ohio.

to-wit: a letter of the following tenor: [18]

(Envelope)

Direct-U-Systems

General Offices

Direct-U-Building—7225 Beverly Blvd.

Los Angeles, California

[Stamped]: Los Angeles, Jan 7 8 PM 1940 Calif  
Air Mail Special Delivery Fee Paid 10 Cents Fee  
Claimed by Office of First Address

Mr Byron Kennedy,  
604 West Columbus Ave.  
Bellefontaine, Ohio.

Direct-U-Systems

General Offices

Direct-U-Building—7225 Beverly Blvd.

Los Angeles, California

June 7, 1940

Mr Byron Kennedy  
604 West Columbus Ave.,  
Bellefontaine, Ohio.

Dear Mr. Kennedy:

We wish to acknowledge receipt of the agreement entered into on June 6th with Mr L. F. Marsh, which covers the installations of Direct-U-Systems in certain counties in Ohio as set forth in the agreement.

We also wish to acknowledge receipt of your check in the amount of \$750.00 for which we thank you. This \$750.00 as provided for in the contract, covers the advance lease rental on one Direct-U-System.

We take this opportunity of welcoming you not only as a new operator and new unit of our service,



but also with special interest because of the recommendations that Mr Marsh has personally written us regarding you.

Mr Marsh has undoubtedly that you that the attitude and the ability of our lessees is a matter of great importance to us. We wish to take this opportunity to assure you that the success of your territory is of prime interest to us, as it is only through your success that we can profit, and we desire to have you feel that it is our sincere desire to cooperate and assist you in every way possible.

Direct-U-Systems offer an unusual opportunity for a dignified, permanent business, as it fills and furnishes a service that is appreciated by the traveling public, and the hotel man is very much interested in it. He appreciates that through Direct-U-Systems he can render a very beneficial and helpful service to his guests.

The merchant and professional man appreciates the fact that through Direct-U-Systems he can reach the class of people who are conceded to be the money spending public, in a new and unique manner.

Your contract and printing copy arrived to late for us to enclose samples of your letterheads but will endeavor to get them in the mail in the morning.

We would like to have you send us a list of approximately 200 names and addresses of the outstanding merchants and professional men in your community, so that we may prepare the advance letters to be sent to them prior to your salesman contacting them. We feel that this is very helpful as it eliminates

a great deal of lost time and sales resistance for your salesmen.

You and each of our lessees are the proprietors of an independent business and will have complete charge of it, and you will profit exactly in the same proportion. So obviously we have good reason to be anxious to know that our operators shall have every qualification to make it successful, and we have reason to feel and believe that you can do this.

We are enclosing a District Manager's manual of procedure, as well as a sales manual. This will give you a great deal of information and suggestions on the program that we have found to be a successful method of operation—which has been proven by other operators. Kindly send us the list of names as outlined above, and other data which is requested in our procedure manual, as soon as possible, as this will assist in eliminating all possible delay.

We are confident that Mr Marsh has explained each portion of our agreement with you, but if there is any point or provision that is not thoroughly understood by you, please do not hesitate to write us immediately so that we may clarify it. It is our desire to have this affiliation be mutually pleasant, profitable and of long duration. It is with this thought in mind that we have prepared our agreement in a very concise and clearly understood manner as it is our desire that our future will be occupied in the development of more business and beautiful installations and we desire to have no misunderstandings.

We want to assure you that we are very happy to have you join our organization and we feel that you will develop your area so that it will be one of the outstanding districts in the United States.

With kindest personal regards and assuring you that we are interested in cooperating in every way possible, we are,

Very truly yours

DIRECT-U-SYSTEMS

By C W TALBOTT,

President.

T/N

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [19]

### SEVENTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about July 18, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully



and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. George H. Broderick  
409 Griswold Street  
Detroit, Michigan

to-wit: a letter of the following tenor: [20]

Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

July 18, 1940

Mr. George H. Broderick  
409 Griswold Street  
Detroit, Michigan

Dear Mr. Broderick:

We wish to acknowledge your recent letter and can assure you that we have no intentions of entering into a lengthy amount of correspondence relative to our past business arrangements.

You voluntarily requested the cancellation of your agreement, and you made many statements which of course we all know are not true, and are entirely beyond the matter at hand.

You were thoroughly familiar with the agreement which you entered into, which was a lease agreement

whereby you leased certain equipment from this company which was to be of standard type, and not to be designed to fill your own personal ideas, and we have your letters in which you stated that the equipment functioned perfectly as it was designed, and by using the material which we insisted upon.

There were no misrepresentations as to your entering into the contract, as you made every investigation that you could think of, and made every point that was not clearly defined, you had it defined in your letter so there would be no misunderstanding.

We are quite confident that there were no representations made as to what any of the lessees were making, as that would be of no interest to you. We are confident that the area which you have, would make more than the amount that a good business man would feel was a fair income, and there is most certainly no reason why you are not making a success in that particular area. You have one of the most beautiful installations in, in a popular hotel but you do not choose to operate on a basis that is in line with good advertising principles.

The losses that you are causing us by your continued refusal to develop that area, is of course great. We have your own statement that the equipment does work perfectly and is working perfectly, as well as we have had numerous checks on the operations in the hotel by various people from whom we have affidavits.

We are again making a demand that you return the replaced rotating machine which you are unlaw-

fully and illegally retaining, which was obtained by you on subterfuge, and we demand that you return this to us without further delay.

We have always endeavored to cooperate and work with you in every way that is possible, and we regret very much that you have taken this attitude.

Very truly yours,

DIRECT-U-SYSTEMS

By C. W. TALBOTT

T/F

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [21]

## EIGHTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about August 8, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to

be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. Harold E. Weeks  
160 Fifth Av.  
New York City.

to-wit: a letter of the following tenor: [22]

Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

August 8, 1940

Mr. Harold E. Weeks  
160 Fifth Ave.  
New York City.

Dear Mr Weeks:

We wish to acknowledge receipt of your favors of the 2nd and 5th and wish to assure you that we have no desire to enter into any controversy with you nor do we want to have any hard feeling or any misunderstandings with you as it is so foolish as we are both interested in reaching the same goal, the installation and successful operations of Direct-U-Systems in your area.

We do want you to know that we are sincerely endeavoring to render you the best service that we know how and build you the best equipment that we humanly can. Our sincere endeavor is to assist and co-operate with you in everyway possible and

it is possible that during this time when so many things seem to go wrong that all of our nerves become somewhat on edge. Possibly we have both taken things that have been written in a way entirely different than the true since in which they were meant and to offend you is the farthest from our intent and we do hereby extend our apologies.

In every business that you must depend on others to do your contacting many reports are sent in many are no doubt tendered more in a nature of excuses to cover shortcomings and we passed on to you telling you what we had heard and we are quite glad to be assured by you that they were not true as we felt that you were not the type of a person that would knowingly hurt us. As far as we are concerned we consider the matter closed with our regrets that they were even called to your attention.

The Pacific National Advertising Agency is just one of several hundred advertising agencies that handle space for various newspapers for the commissions that the papers pay them and they with several other firms rent space in the same building that we are located.

As far as Mr N. H. Marshall is concerned he is not employed by us nor has he been but is well known by us as he was at the time the old National was operating most successfully as the financial records will show it was when he handled the sales and thru his efforts and knowledge and hard work the most successful development was done not only by the company but by the lessees. When he left the old National due to some personal and domestic



difficulties their decline started and when it reached a point that the writer did not care to be associated he disposed of his interests and the old investors realized that they had made a mistake and we are sure that if you knew him we are sure that you would agree. He is interested in some educational business but we are sure that if you will write him addressed P. O. Box ----? Hollywood Cal. that it will be forwarded to him and he will, we feel, be more than glad to assist in rectifying any reports that may be damaging to you or this company.

We are at loss to understand what connections any report on him may have with your selling any of your prospects as he has never had any connections with this company but we will say, frankly, that he can have a position here at anytime and we are equally sure that if you knew him you would give him serious consideration as to the handling of your sales.

Your prospects are doing business with you individually and this company has nothing to do with it nor does anyone else as we can see it and we feel that all you have to do is to establish yourself in their eyes as your are the lessee and operator of Direct-U-Systems in New York City.

As far as we are concerned we want to consider any misunderstandings in the past a closed book and extend ourselves to developing a future that will more than offset any unpleasantness.

We are very happy that you are well pleased with the Governor Clinton installation as we can assure you that we have truly tried to build it as

near perfect as possible and we do regret that there was anything to do to the machine and we are confident that it will function perfectly. We do appreciate the fact that you are sincere in your desire to make helpful suggestions to perfect the equipment and if we have ever wrote otherwise please accept our apologies again.

We are sure that you appreciate that some arrangements must be made to shut the motor off a few hours each day and using Direct Current a time switch can not be used.

We are rushing the other systems as fast as we can but as we have explained some of the vital parts are being held up by the war such as push buttons and certain other materials. We have the cabinets completed printing, rotating machines ready etc as are quite interested in getting them to you as soon as possible.

We would appreciate it greatly if you would have a photo made and if possible to include the hotel manager as we have a program that we feel we assist you materially in your sales if you will co-operate along these lines.

With the kindest personal regards and again assuring you that we hope any unpleasantness in the past will be overlooked as a closed book, we are,

Very truly yours

DIRECT-U-SYSTEMS

By: C W TALBOTT

T/N

An International Service

[Stamped]: Received Aug 12 1940 Ans'd ----



Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [23]

### NINTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about November 6, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a postpaid envelope addressed to:

Mr. Arthur K. Barnes,  
401 Scott Place  
Pasadena, California

to-wit: a letter of the following tenor: [24]

Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

November

~~October~~ 6, 1940

Mr. Arthur K. Barnes  
401 Scott Place  
Pasadena, California

Dear Mr. Barnes:

We wish to acknowledge receipt of the agreement entered into on November 6th with Mr. L. F. Marsh, which covers the installation of Direct-U-Systems in territory adjacent to Los Angeles as outlined in the contract.

We also wish to acknowledge receipt of your check in the amount of \$1500 for which we thank you. This \$1500 as provided for in the contract, covers the advance lease rental on two Direct-U-Systems.

We wish to take this opportunity of welcoming you not only as a new operator and new unit of our service, but also with special interest because of our knowledge of your ability.

Mr. Marsh has undoubtedly told you that the attitude and the ability of our lessees is a matter of great importance to us. We wish to take this opportunity to assure you that the success of your territory is of prime interest to us, as it is only through your success that we can profit, and we desire to have you feel that it is our sincere desire to cooperate and assist you in every way possible.

Direct-U-Systems offer an unusual opportunity for a dignified permanent business, as it fills and furnishes a service that is appreciated by the traveling public, and the hotel man is very much interested in it. He appreciates that through Direct-U-Systems he can render a very beneficial and helpful service to his guests.

The merchant and professional man appreciates the fact that through Direct-U-Systems he can reach the class of people who are conceded to be the money spending public, in a new and unique manner.

We have the tentative list of outstanding merchants and professional men in Long Beach which we are preparing for you in order that the advance letters may be prepared. We feel that these letters will be very helpful as they eliminate a great deal of lost time and sales resistance for your salesmen.

You and each of our lessees are the proprietors of an independent business and will have complete charge of it, and you will profit exactly in the same proportion. So obviously we have good reason to be anxious to know that our operators shall have every qualification to make it successful, and we have reason to feel and believe that you can do this.

We are enclosing a District Manager's Manual of Procedure, which will give you a great deal of information and suggestions on the program which we have found to be a successful method of operation, and one which has been proven by other operators.

We are confident that Mr. Marsh has explained

each portion of our agreement with you, but if there is any point or provision that is not thoroughly understood by you, please do not hesitate to write us immediately, so that we may clarify it. It is our desire that this affiliation be mutually pleasant, profitable and of long duration. It is with this thought in mind that we have prepared our agreement in a very concise and clearly understood manner, as it is our desire that our future will be occupied in the development of more business and beautiful installations, and we desire to have no misunderstandings.

We want to assure you that we are very happy to have you join our organization and we feel that you will develop your area so that it will be one of the outstanding districts in the United States.

With kindest personal regards and assuring you that we are interested in cooperating in every way possible, we are

Very truly yours,

DIRECT-U-SYSTEMS

By C W TALBOTT

President

T/F

Encl.

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [25]

## TENTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That they do re-allege and incorporate herein, as if again set forth at length, all of the allegations of the first count of this indictment except those allegations alleging the mailing of the letter referred to in said count and describing said letter; that said defendants on or about November 9, 1940, then having devised the scheme and artifice in said first count described, in the Central Division of the Southern District of California and within the jurisdiction of the United States and this Honorable Court, for the purpose of executing said scheme and artifice to defraud, did unlawfully, wilfully and feloniously knowingly place and cause to be placed in the United States Post Office at Los Angeles, California, to be sent and delivered by the Post Office establishment of the United States, according to the directions thereon, a certain letter in a post-paid envelope addressed to:

Mr. Ralph H. Bergen  
614 McLaughlin Avenue  
Richmond, California

to-wit: a letter of the following tenor: [26]



Direct-U-Systems  
General Offices  
Direct-U-Building—7225 Beverly Blvd.  
Los Angeles, California

November 9, 1940

Mr. Ralph H. Bergen  
614 McLaughlin Avenue  
Richmond, California

Dear Mr. Bergen:

We wish to acknowledge receipt of the agreement entered into on November 6th with Mr. Rolland R. Bryant, which covers the installation of Direct-U-Systems in San Francisco and San Mateo counties, inclusive.

We also wish to acknowledge receipt of your check in the amount of \$2250, for which we thank you. This \$2250 as provided for in the contract, covers the advance lease rental on 3 Direct-U-Systems. We also wish to acknowledge receipt of your check in the amount of \$300.00 for one Direct-U-Display, for San Francisco, San Mateo, Alameda and Contra Costa Counties, for which we also thank you.

We wish to take this opportunity of welcoming you not only as a new operator and new unit of our service, but also with special interest because of our knowledge of your ability.

As we have told you, the attitude and the ability of our lessees is a matter of great importance to us. We wish to take this opportunity to assure you that the success of your territory is of prime interest to us, as it is only through your success that we



can profit, and we desire to have you feel that it is our sincere desire to cooperate and assist you in every way possible.

Direct-U-Systems offer an unusual opportunity for a dignified permanent business, as it fills and furnishes a service that is appreciated by the traveling public, and the hotel man is very much interested in it. He appreciates that through Direct-U-Systems he can render a very beneficial and helpful service to his guests.

The merchant and professional man appreciates the fact that through Direct-U-Systems he can reach the class of people who are conceded to be the money spending public, in a new and unique manner.

Mr. Bryant informs us that you are preparing a list of approximately two hundred names of outstanding merchants and professional men, in order that we may prepare the advance letters for them.

We feel that these letters will be very helpful as they eliminate a great deal of lost time and sales resistance for your salesmen.

You and each of our lessees are the proprietors of an independent business and will have complete charge of it, and you will profit exactly in the same proportion. So obviously we have good reason to be anxious to know that our operators shall have every qualification to make it successful, and we have reason to feel and believe that you can do this.

We are enclosing a District Manager's Manual of Procedure, which will give you a great deal of information and suggestions on the program which we have found to be a successful method of opera-

tion, and one which has been proven by other operators.

We are confident that you understand each portion of our agreement with you, but if there is any point or provision that is not thoroughly understood by you, please do not hesitate to write us immediately, so that we may clarify it. It is our desire that this affiliation be mutually pleasant, profitable and of long duration. It is with this thought in mind that we have prepared our agreement in a very concise and clearly understood manner, as it is our desire that our future will be occupied in the development of more business and beautiful installations, and we desire to have no misunderstandings.

We want to assure you that we appreciate your making the trip down here to see us, and it has been a great pleasure to meet you, and we are exceedingly happy to have you join our organization. We are confident that with your ability, you will develop your area so that it will be one of the outstanding districts in the United States.

With kindest personal regards and assuring you that we are interested in cooperation in every way possible, we are,

Very truly yours,

DIRECT-U-SYSTEMS

By C W TALBOTT,

President

T/F

Encl.

An International Service

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America. [27]

### ELEVENTH COUNT

And the grand jurors aforesaid upon their oath aforesaid do further present:

That

Helen May Fawkes;  
Llewellyn F. Marsh;  
Norman H. Marshall;  
Albert A. Martinez; and  
Charles W. Talbot,

the identical persons named in the first and preceding counts of this indictment, and hereinafter referred to as the defendants, heretofore to-wit: prior to the dates of the commission of the overt acts hereinafter alleged, and continuously thereafter down to and including the date of the filing and return of this indictment, did knowingly, wilfully, unlawfully, corruptly, fraudulently and feloniously conspire, combine, confederate and agree among themselves and with each other, and with other persons whose names are to the grand jurors unknown, to commit certain offenses against the United States, that is to say, that they, said defendants, did so knowingly, wilfully, unlawfully, corruptly and feloniously conspire, combine, confederate and agree among themselves and with each other, and with other persons whose names are to the grand jurors unknown as aforesaid, to

devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises from those persons described and named in the first count of this indictment as the persons intended to be defrauded, and for the purpose of executing such scheme and artifice to place and cause to be placed in the Post Office establishment of the United States letters, circulars, advertisements, newspapers, bulletins and other mail matter addressed to various and sundry persons residing within the United States, the names and addresses of said persons, other than as stated in the preceding counts [28] of this indictment, being to the grand jurors unknown;

That said scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises, which said defendants so conspired to devise and execute as aforesaid as more particularly set forth and described in the first count of this indictment, are hereby re-alleged and re-incorporated herein as if again set forth at length;

And the grand jurors aforesaid upon their oath aforesaid do further charge and present that at the hereinafter stated times, in pursuance of and in furtherance of, in execution of and for the purpose of carrying out and to effect the object, design and purposes of said conspiracy, combination, confederation and agreement aforesaid the hereinafter named defendants did commit the following overt acts:

1. That on or about April 19, 1940 defendant Helen May Fawkes, at Los Angeles, California, did endorse over to Rosa and James Gioga for collection a certain check for \$375.00, dated April 20, 1940, payable to Direct-U-Systems, Inc., and drawn on the Second National Bank of Beloit, Wisconsin by B. W. Helm.

2. That on or about November 27, 1938, at Madison, Wisconsin, defendant Albert A. Martinez did cause to be written and did sign a certain letter addressed to Mr. James Gregory, 317 West Mufflin Street, Madison, Wisconsin.

3. That on or about April 23, 1940, at South Bend, Indiana, defendant Llewellyn F. Marsh did receive from Richard H. Michaels a check for \$1500.00 and did transmit the same by mail to Direct-U-Systems, Inc., in Los Angeles, California.

4. That on or about April 30, 1940, at South Bend, Indiana, defendants Llewellyn F. Marsh and Albert A. Martinez did discuss with Richard H. Michaels the matter of a franchise to install directories in the State of Indiana.

4. That on or about December 14, 1938, at Los Angeles, California, defendant Charles W. Talbott did prepare for mailing by insured parcel [29] post to Bright Advertising Co., 408 Niccollet Ave., Minneapolis, Minn., a package of supplies including three reproductions of a letter from Hotel Multnomah of Portland, Oregon and three reproductions of a letter from New Washington Hotel of Seattle, Washington, dated July 22, 1938 and July 25,



1938, respectively, addressed to Mr. A. Kane, Pioneer Bldg., Los Angeles, California.

6. That on or about October 23, 1940, at Los Angeles, California, defendant Charles W. Talbott did prepare a certain letter addressed to Arthur K. Barnes, 401 Scott Place, Pasadena, California, and did subscribe and acknowledge the same before defendant Norman H. Marshall as a notary public.

7. That on or about June 5, 1940, at Los Angeles, California, defendant Norman H. Marshall did prepare a certain letter addressed to Better Business Bureau, Tulsa, Oklahoma, and did sign thereto the name of defendant Charles W. Talbott.

8. That on or about September 30, 1940, at Los Angeles, California, defendant Norman H. Marshall did prepare a certain letter addressed to Mr. Byron Kennedy, 215 Keith Bldg., Dayton, Ohio, and did sign thereto the name of defendant Charles W. Talbott.

9. That on or about May 13, 1940, at Los Angeles, California, defendant Helen May Fawkes did prepare and sign a certain letter addressed to Mr. J. E. Waggener, 5601 Wornall Road., Kansas City, Mo.

10. That on or about August 19, 1938, at Oakland, California, defendant Albert A. Martinez did sign a document described as an "agreement" wherein H. R. Browne was to have the exclusive right to operate "Direct-U-Systems" in the City of San Francisco and adjoining territory.

11. That on or about April 11, 1939, at San Francisco, California, defendant Albert A. Mar-



tinez did sign a document described as an "agreement" wherein Ralph A. Burke was to have the exclusive right to operate "Direct-U-Systems" in the City of San Francisco, California.

12. That on or about February 9, 1939, at Oakland, California, [30] defendant Norman H. Marshall did sign a document described as an "agreement" wherein L. C. Whitby was to have the exclusive right to operate "Direct-U-Systems" in Alameda, Santa Clara, Sacramento and San Joaquin Counties in California.

13. That on or about January 3, 1941, at Los Angeles, California, defendants Charles W. Talbott and Helen May Fawkes, in a meeting of the Board of Directors of Direct-U-Systems, did vote to ratify a contract dated November 12, 1940 whereby Ralph H. Bergen was to have the exclusive right to operate "Direct-U-Systems" in all of the State of California north of Santa Maria and Bakersfield.

Contrary to the form of the statute in such case made and provided and against the peace and dignity of the United States of America.

WM. FLEET PALMER,

United States Attorney. [31]

A true bill,

DAVID E. LLEWELLYN,

Foreman.

Bail, Marshall, \$10,000.

Others \$5000. [32]

[Endorsed]: Filed Jul. 30, 1941.

At a stated term, to wit: The February Term, A. D. 1941, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles on Thursday the 7th day of August in the year of our Lord one thousand nine hundred and forty-One.

Present: The Honorable: Ralph E. Jenney, District Judge.

No. 14,988—Crim.

[Title of Cause.]

### PLEAS OF NOT GUILTY

This cause coming on for arraignment and plea of defendants Helen May Fawkes, Llewellyn F. Marsh, Norman H. Marshall, Albert A. Martinez, and Charles W. Talbott; R. K. Lambeau, Assistant U. S. Attorney, appearing as counsel for the Government; Geo. E. Stoddard, Esq., appearing as counsel for Defendants Marshall, Fawkes, and Talbott, who are present; Defendants Marsh and Martinez being absent; and C. W. Lunsford, Court Reporter, being present and reporting the testimony and the proceedings:

Defendants Fawkes, Marshall, and Talbott state their true names are as set forth in the indictment, waive reading thereof, and enter separate pleas of not guilty to each count.

Attorney Stoddard states that Defendant Martinez is in the east and will surrender soon.

It is ordered that the cause be, and it hereby is, continued to August 11, 1941, at 2 P.M. for arraignment and plea of Defendant Marsh, and to September 8, 1941, for setting for trial as to Defendants Fawkes, Marshall, and Talbott before Judge McCormick. [33]

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At a stated term, to wit: The September Term, A. D. 1942, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles on Wednesday the 30th day of September in the year of our Lord one thousand nine hundred and forty-Two.

Present: The Honorable: Ben Harrison, District Judge.

No. 14,988-BH Crim.

[Title of Cause.]

This cause coming on for further trial of defendant Llewellyn F. Marsh on each of counts 4, 5, and 8 to 11 inclusive, and of defendants Norman H. Marshall, Albert A. Martinez, and Charles W. Talbott on each of counts 1 to 5, inclusive, and 8 to 11 inclusive; Charles H. Veale, Assistant U. S. Attorney, appearing as counsel for the Government; Claude A. Shutt, Esq., appearing as counsel for Defendant Marsh; Geo. E. Stoddard, and Ames Peterson, Esq., (associate counsel) appearing as counsel for Defendants Marshall, Martinez, and Talbott; all of the said defendants being present

on bond; Samuel Goldstein, Court Reporter, being present and reporting the proceedings; and the jury and the alternate juror being present and counsel for both sides so stipulating, it is ordered that the trial proceed. \* \* \*

The court instructs the jury on the law of this case, and at the conclusion of the Court's instructions,

There are no exceptions by the defendants or the Government to the Court's instructions given to the jury. The Court at this time excuses the alternate juror, Guy C. Earl, Jr., heretofore impaneled and present during the trial of this case; and pursuant to the Court's order two bailiffs, E. L. Saunders and Chas. F. Ward are sworn as officers to care for this jury; and blank forms of verdicts as to each defendant, the indictment, and all exhibits in evidence are given to the jury, except Defts' Ex. 3F (large electrical directory), which was [34] withdrawn from evidence on stipulation of the parties and order of the Court; and at the hour of 2:15 P.M.

The jury retire to the jury room in charge of said officers so sworn, to deliberate upon its verdicts, and the Court recesses.

\* \* \* \* \*

At 10:03 P.M. the jury again return into court, the jury being present, and the four defendants on trial being present, and all others being present as before, and counsel stipulating that the jury and the defendants are present;

The Court inquires of the jury if they have

reached verdicts, and the jury through their foreman states that it has reached verdicts as to the defendants, and the Court orders that said verdicts be presented to the Court; and the verdicts are presented to the Court, and pursuant to the Court's order are read by the clerk. The Court inquires of counsel if they desire the jury polled and counsel state that they do not. Whereupon, the Court orders that the four verdicts be read, filed, and spread upon the minutes, the said four verdicts as filed being as follows: \* \* \* [35]

[Title of District Court and Cause.]

VERDICT AS TO DEFENDANT  
NORMAN H. MARSHALL

We, the Jury in the above-entitled cause, find the defendant, Norman H. Marshall, Guilty as charged in count 1 of the Indictment; Guilty as charged in count 2 of the Indictment; Guilty as charged in count 3 of the Indictment; Guilty as charged in count 4 of the Indictment; Guilty as charged in count 5 of the Indictment; Guilty as charged in count 8 of the Indictment; Guilty as charged in count 9 of the Indictment; Guilty as charged in count 10 of the Indictment; Guilty as charged in count 11 of the Indictment.

Dated: Los Angeles, California, September 30, 1942.

WALTER M. GUIDEL  
Foreman.

[Endorsed]: Filed Sept. 30, 1942. [36]



At a stated term, to wit: The September Term, A. D. 1942, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles on Monday the 26th day of October in the year of our Lord one thousand nine hundred and forty-Two.

Present: The Honorable: Ben Harrison, District Judge.

No. 14,988-BH-Crim.

[Title of Cause.]

### ORDER DENYING PROBATION

This cause coming on for (1) further hearing on reports of Probation Officer as to defendants Marshall and Martinez; (2) and for sentence of both defendants on each of counts 1, 2, 3, 4, 5, 8, 9, 10 and 11; Charles H. Veale, Assistant U. S. Attorney, appearing on behalf of the Government; Geo. E. Stoddard, Esq., and Ames Peterson, Esq., appearing as counsel for defendants Marshall and Albert A. Martinez; John Q. Bybee, Court Reporter, being present and reporting the proceedings; and both defendants Marshall and Martinez present on bond; Attorney Peterson makes a statement; Attorney Veale makes a statement; the Court makes a statement and orders application of defendant Marshall for probation denied, and sentences defendant Marshall as follows: \* \* \* [37]



District Court of the United States, Southern  
District of Calif., Central Division

No. 14988-BH Criminal<sup>1</sup> Indictment in 11 counts  
for violation of U. S. C., Title 18, Secs. 338  
and 88;

UNITED STATES

v.

NORMAN H. MARSHALL

### JUDGMENT AND COMMITMENT

On this 2th day of October, 1942, came the United States Attorney, and the defendant Norman H. Marshall appearing in proper person, and by his attorneys, Geo. E. Stoddard and Ames Peterson, Esqs.<sup>2</sup> and,

The defendant having been convicted on<sup>3</sup> Verdict of Guilty of the offenses charged in the<sup>1</sup> Indictment in the above-entitled cause, to wit<sup>4</sup> counts 1, 2, 3, 4, 5, 8, 9 and 10; use of United States mails in furtherance of a scheme to defraud; and count 11; conspiracy to violate 18 USC 338.

and the defendant having been now asked whether he has anything to say why judgment should not be pronounced against,.....and no sufficient cause to the contrary being shown or appearing to the Court, It Is by the Court

Ordered and Adjudged that the defendant, having been found guilty of said offenses, is hereby

committed to the custody of the Attorney General for imprisonment in an institution of the<sup>5</sup> Penitentiary type to be designated by the Attorney General or his authorized representative for the period of<sup>6</sup> three (3) years on each of counts 1 and 2; and two (2) years on count 11, sentences on each of said counts 1, 2, and 11, to begin and run concurrently and not consecutively, making a total term of three (3) years; and It Is Further Ordered that the imposition of sentence on each of counts 3, 4, 5, 8, 9, and 10, is suspended for the period of five years, to commence at the expiration of the sentences on counts 1, 2 and 11, and the defendant is to be placed on probation under the supervision of the probation officer of this court for said period of five years on each of said counts 3, 4, 5, 8, 9, and 10, concurrently, upon the following conditions: that defendant shall not during said period of probation, violate any laws of the United States, State, County or City in which he resides; that he shall report to the probation officer at such times as may be designated and be guided by the usual rules and regulations of the probation officer; and that during that period the defendant shall not engage in any promotional activities whatsoever.

It Is Further Ordered that<sup>8</sup> defendant is remanded to the custody of the U. S. Marshal, and the bond of defendant is exonerated.

It Is Further Ordered that the Clerk deliver a certified copy of this judgment and commitment to the United States Marshal or other qualified

officer and that the same shall serve as the commitment herein.<sup>9</sup>

(Signed) BEN HARRISON

United States District Judge.

A True Copy Certified this 26th day of October,  
A. D., 1942.

(Signed): EDMUND L. SMITH,

Clerk.

(By) MURRAY E. WIRE,

Deputy Clerk.

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<sup>1</sup>Indictment or information. <sup>2</sup>Insert (a) "by counsel" or (b) "having been advised of his constitutional right to counsel and having been asked whether he desired counsel assigned by the Court, replied that he did not," whichever is applicable. <sup>3</sup>Insert the words "his plea of guilty," "plea of nolo contendere," or "verdict of guilty," as the case may be. <sup>4</sup>Name specific offense or offenses and specify counts upon which convicted. <sup>5</sup>Insert type of institution such as "jail," "training school," "reformatory," "penitentiary," or "special." If prisoner's circumstances require special type institution, Marshal should submit facts and recommendations of Court to Attorney General where regulations do not apply. <sup>6</sup>Insert sentence and any provision for payment of fine and state whether sentences are to run concurrently or consecutively and, if consecutively, when each term is to begin; that is, with reference to termination of preceding term, or with respect to any other outstanding or unserved sentence. <sup>7</sup>Strike out if Court did not so order. <sup>8</sup>Indicate any order with respect to suspension and probation. <sup>9</sup>Certified copy to accompany defendant to institution.

[Endorsed]: Filed Oct. 26, 1942. [38]

[Title of District Court and Cause.]

## NOTICE OF APPEAL

The name and address of appellant is Norman H. Marshall, 7223 Beverly Boulevard, Los Angeles, California.

The name and address of appellant's attorney is Ames Peterson, 639 South Spring Street, Los Angeles, California.

The offense was a violation of 18 USC 338 and 88.

The date of judgment was October 26, 1942. A brief description of the judgment is 3 years in the Federal Penitentiary and 5 years probation thereafter. Name of prison where now confined if not on bail, Los Angeles County Jail, Los Angeles, California.

I, the above named appellant, hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the judgment above mentioned on the grounds set forth below.

NORMAN H. MARSHALL

Appellant

Dated: October 26, 1942.

## GROUND'S OF APPEAL

### I.

That said verdict and finding of guilt is contrary to the evidence adduced at the trial of said cause.

## II.

That the evidence adduced at the trial is insufficient to [39] justify said verdict and finding of guilt.

## III.

Errors of the Court in the admission of testimony offered by the United States of America in evidence against this defendant.

## IV.

That the trial judge erred in his rules on the questions of law and fact.

AMES PETERSON

Attorney for Appellant.

Received acknowledgment on this 26th day of October, 1942.

LEO V. SILVERSTEIN

United States Attorney

CHARLES H. VEALE

Asst. United States Attorney

[Endorsed]: Filed Oct. 26, 1942. [40]

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[Title of District Court and Cause.]

BAIL BOND ON APPEAL

BOND #824-004

Know All Men by These Presents:

That we, Norman H. Marshall, of the County of Los Angeles, State of California, as Principal, and the Northwest Casualty Company, a Washington

Corporation, as surety, are jointly and severally held firmly bound unto the United States of America in the sum of Five Thousand Dollars (\$5000.00), for the payment of which sum we and each of us bind ourselves, our heirs, executors, administrators and assigns.

The condition of the foregoing obligation is as follows:

Whereas, lately, to-wit, on the 26th day of October, 1942, at a term of the District Court of the United States in and for the Southern District of California, Central Division, in an action pending in the said Court in which the United States of America is Plaintiff and Norman H. Marshall was defendant, judgment and sentence was made, given, rendered and entered against the said Norman H. Marshall in the above entitled action, whereas he was convicted as charged in the Indictment. [41]

Whereas, in said judgment and sentence so made, given, rendered and entered against said Norman H. Marshall, he was by said judgment sentenced to imprisonment for three (3) years on counts one (1) and two (2) of the Indictment and to be imprisoned in said institution for a term of two (2) years on count eleven (11) of the Indictment; imprisonment on said last named count to begin and run concurrently with imprisonment imposed on counts one (1) and two (2); and be imprisoned in an institution of the penitentiary type to be designated as aforesaid.



Whereas, the said Norman H. Marshall has filed a notice of Appeal from the said conviction and from the said judgment and sentence, appealing to the United States Circuit Court of Appeals for the Ninth Circuit; and

Whereas, the said Norman H. Marshall has been admitted to bail pending the decision upon said Appeal, in the sum of Five Thousand Dollars (\$5,000.00).

Now, Therefore, the conditions of this obligation are such that if said Norman H. Marshall shall appear in person or by his attorney in the United States Circuit Court of Appeals for the Ninth Circuit on such day or days as may be appointed for the hearing on said cause in said Court and prosecute his Appeal; and if the said Norman H. Marshall shall abide by and obey all orders made by the said United States Circuit Court of Appeals for the Ninth Circuit and if the said Norman H. Marshall shall surrender himself in execution of said judgment and sentence, if the judgment and sentence be affirmed by the United States Circuit Court of Appeals for the Ninth Circuit; and if the said Norman H. Marshall will appear for trial in the District Court of the United States in and for the Southern District of California, Central Division, on such day or days as may be appointed for retrial by said District Court if the said judgment and sentence against him be reversed then this obligation shall be null and void, otherwise to remain in full [42] force and effect.

This Recognizance shall be deemed and construed to contain the "express agreement", summary judgment and execution thereon, mentioned in Rule 34 of the District Court.

NORMAN H. MARSHALL

Principal

7225 Beverly Blv'd.

Address

[Seal]

NORTHWEST CASUALTY  
COMPANY,

a Washington Corporation,

By A. W. APPEL

Attorney-in-Fact

LEO V. SILVERSTEIN,

United States Attorney

CHARLES H. VEALE

United States Attorney

I hereby certify that I have examined the within bond and that in my opinion the form thereof is correct and Surety thereon is qualified.

AMES PETERSON

Attorney for Defendant and  
Appellant

The foregoing Bond is approved this 26th day of October, 1942.

BEN HARRISON

United States District Judge.

State of California

County of Los Angeles—ss.

On this 26th day of October, A.D., 194. ., before me, Marva Weede a Notary Public in and for the

County and State aforesaid, duly commissioned and sworn, personally appeared A. W. Appel, Attorney-in-Fact, of the Northwest Casualty Company, a Washington corporation, to me personally known to be the individual and officer described in and who executed the within instrument, and he acknowledged the same, and being by me duly sworn, deposes and says that he is the said officer of the Company aforesaid, and the seal affixed to the within instrument is the corporate seal of said Company, and that the said corporate seal and his signature as such officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my official seal at my office in the City of Los Angeles, County of Los Angeles, the day and year first above written.

[Seal]                      MARVA WEEDE

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires February 3, 1946.

[Endorsed]: Filed Oct. 26, 1942. [43]

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[Title of District Court and Cause.]

#### STIPULATION RE BILL OF EXCEPTIONS

It Is Stipulated by and between counsel for the United States, appellee herein, and counsel for the appellant, Norman H. Marshall, that the time for

filing and settling the Bill of Exceptions herein, shall be, and the same is, hereby extended to and including December 28, 1942.

LEO V. SILVERSTEIN,  
United States Attorney

CHAS. H. VEALE,  
Asst. United States Attorney  
Counsel for Appellee

AMES PETERSON,  
Counsel for Appellant, Nor-  
man H. Marshall

It Is So Ordered.

Dated: December 24, 1942.

BEN HARRISON,  
United States District Judge

[Endorsed]: Filed Dec. 24, 1942. [44]

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[Title of District Court and Cause.]

### STIPULATION IN RE EXHIBITS

It is hereby stipulated by and between respective counsel that all exhibits introduced at the trial of said cause be by the Clerk transmitted and certified to the Circuit Court of Appeals.

Dated: January 20, 1943.

LEO V. SILVERSTEIN,  
United States Attorney

CHARLES H. VEALE,  
Ass't. U. S. Attorney

AMES PETERSON,  
Attorney for Appellant

It Is So Ordered.

BEN HARRISON,  
Judge

[Endorsed]: Filed Jan. 20, 1943. [45]

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[Title of District Court and Cause.]

PRAECIPE

To the Clerk of the District Court of the United States, in and for the Southern District of California, Central Division.

You will please prepare the following record in the above entitled cause for the Ninth Circuit Court of Appeals:

Clerk's Transcript as follows:

1. Indictment;
2. Minutes showing defendant entering plea of not guilty as to each count of the indictment;
3. Verdict of the jury;
4. Judgment and sentence, order of commitment, and exceptions noted;
5. Notice of appeal;
6. Bill of Exceptions and Assignments of Error;
7. This praecipe.

AMES PETERSON,

Attorney for Defendant

Rec'd copy of within document, January 20, 1943.

CHARLES H. VEALE,

U. S. Asst. Dist. Atty.

[Endorsed]: Filed Jan. 20, 1943. [46]

[Title of District Court and Cause.]

## ASSIGNMENT OF ERRORS

Comes now, Norman H. Marshall, the defendant appellant in the above entitled cause and in connection with his appeal makes it known that in the records, proceedings, judgment and sentence appealed from, manifest error has intervened to the prejudice of the said defendant appellant in these things to wit:

### I.

That the Court erred in refusing and failing to find the defendant not guilty at the close of the Government's case in chief, in that the evidence was insufficient to support a judgment of conviction, and failed to show the existence of a scheme or plan to use the mails with intent to defraud.

### II.

That the Court erred in refusing and failing to find the defendant not guilty at the close of the entire testimony in the case for the reason that the evidence was insufficient to justify a finding of guilt against the defendant, and failed to show the existence of a scheme or plan to use the mails with intent to defraud.

AMES PETERSON,

Attorney for Appellant



Received copy of the within Assignment of Errors this 17th day of December, 1942.

LEO V. SILVERSTEIN,

U. S. Atty.

CHARLES H. VEALE,

Asst. Dist. Atty.

[Endorsed]: Filed Dec. 17, 1942.

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[Title of District Court and Cause.]

BILL OF EXCEPTIONS

RALPH YOUNG

called as the first witness on behalf of the Government, testified as follows:

I have known all of the defendants for a period of at least ten years. Part of the defendants were connected with the National Directory System and I purchased stock in the National Directory System from Mr. Marshall. The business of the company was the purchase and lease of an automatic or animated map. These were used in the lobbies of hotels. At the time when I was connected with the company there was a great deal of office activity. There were probably three or four stenographers and electricians and cabinet makers manufacturing the cabinets and the usual type of activity to be found in a business operating on as large a scale as the National Directory Systems. I had about forty shares of stock in the National Directory Sys-

(Testimony of Ralph Young.)

tems, and that represented 70% of the stock. The rest of it was in escrow. Afterwards I myself started the Automatic Map Company which was incorporated in April, 1938, and that was engaged in the manufacture and leasing of automatic maps. Afterwards I observed the operation of the business known as the Direct-U-Systems. I was an employee of the company with the title of Assistant Manager, and operated it until the latter part of October, 1938, when I bought all of the outstanding stock of the Automatic Map Company and operated it until April, 1940, when I sold my stock. When I sold my stock Mr. Marshall acquired about 7½ shares of the Automatic Company. We leased out equipment to individuals.

It was here stipulated that the Direct-U-Systems cabinet was similar to the cabinets of the National Directory System in certain respects.

It was further stipulated that the Directory Systems started operating approximately in August, 1938 and continue functioning until the date of the trial. [1\*]

#### Cross Examination

By Mr. Stoddard:

I myself sold advertising space for the National Directory Systems.

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\*Page numbering appearing at foot of page of original Bill of Exceptions.

## HAROLD E. WEEKS

called as a witness on behalf of the Government testified as follows:

I live in Brooklyn, New York, where I was a consulting engineer and I replied to this advertisement which I have with me, which reads as follows:

“Resident manager, permanent connection, income reasonably \$10,000 yearly. \$3,750 cash required secured and returnable.”

I answered this ad and received the following reply: (Government’s Exhibit 2.)

“Dear Mr. Weeks:

“We wish to acknowledge receipt of your reply to our recent advertisement for a residence manager.

“Our division manager, Mr. George Todd, will be in your vicinity within a few days and we are asking him to advise you of his arrival, and to arrange a conference with you. It is rather difficult to go into detail pertaining to our proposition, except to say that this is not a promotional matter, and we have nothing to sell you. Ours is a highly ethical and legitimate business proposition, dealing only with the larger business organizations, banks, etc.

“We are dependent on selecting a person of good general business experience who is interested in a permanent connection with an assured income which increases yearly. We must virtually guarantee the success of the one we select. [2]

“In the meantime we trust that you will make no other connection until our Mr. Todd has had the

(Testimony of Harold E. Weeks.)

opportunity to see you, as we are confident that a conference will lead to a mutually profitable and pleasant future.

“Very truly yours, Direct-U-Systems, by

“C. W. Talbott, President.”

After receiving this letter a gentleman by the name of Mr. Wallace called on me in New York. He presented his card as Division Manager of Direct-U-Systems. He told me he had come in connection with my reply to the advertisement. He presented the proposition of a lease rental on a certain number of cabinets giving the right to operate either in New York state or in another state. I was to pay a rental of \$3,750 for the privilege of operating the Direct-U-Systems cabinets for a period of three years. He showed me pictures of certain cabinets and certain testimonial letters. These letters were from the West Coast. He said the proposition was perfected and that it was successful and was in operation in a number of cities. He did not give me many specific locations. He said if I accepted the proposition he would train the salesmen and assist in getting the business started and that he had already made agreements with hotels for the installation of these cabinets and I signed a contract to take five of these cabinets and operate them. He told me that I would be fully protected from similar machines. He had a miniature replica of the advertising device with him.

(Here the Government offered the contract in evidence (Government's Exhibit 4) as the con-

(Testimony of Harold E. Weeks.)

tract between the witness and the Direct-U-Systems).

## GOVERNMENT'S EXHIBIT No. 4

Note Double Equipment.

### AGREEMENT

This Agreement entered into this 27 day of July 1939 by and between Direct-U-Systems with general offices at Los Angeles California, hereinafter referred to as the Lessor and Harold E. Weeks, of New York City hereinafter designated as the Lessee.

Now, Therefore: in consideration of the premises and the mutual promises of the parties and the consideration passing and to pass from each other to other it is agreed as follows:

The Lessor hereby grants to the Lessee the exclusive right to use and operate the Lessor's Direct-U-Systems in the following described territory for a period of 3 years on the following terms and conditions, with the option for renewal for an additional period of 5 years on the same terms and conditions, providing 5 installations have been made during the first year, & option for renewal for additional 5 year periods under same conditions: Eastern New York State East of the 76 Meridian West of Greenwich.

(1) The lease rental on the 60 space Direct-U-Systems shall be \$750.00 each, and on the 40 space systems the lease rental shall be \$500.00 each for the first year payable upon installation and collection.



(Testimony of Harold E. Weeks.)

(2) The second and succeeding years each 60 space system shall be \$250.00 per year, and \$166.67 for 40 space Direct-U-Systems, payable upon installation and collection.

(3) \$3750.00 upon signing of this agreement. Said payment of \$3750.00 representing payment of the lease rental of the first five systems, hereby leased by Lessee from Lessor to be delivered upon demand.

(4) Lessee agrees to pay Lessor 20% royalty in addition to the lease rental above set forth, payable upon installation and collection.

(5) In addition to the above lease rentals and royalties the Lessee shall pay to the Lessor the sum of 50 cents (50c) for each advertising card furnished for the Lessee's subscribers each month. The Lessee agrees to furnish not later than the 10th of each month, individual copy for the advertising cards to be used the following month, otherwise the Lessor shall be relieved from the responsibility of furnishing same.

(6) Lessor agrees to furnish and install each system complete and maintain same at its own expense during the life of the agreement.

(7) Lessee shall have the use of the leases of hotels and depots and shall pay lease rental direct to location Lessor in the above designated territory, and it is agreed that all leases shall be made in the name of the Lessor and must be approved by the Lessor.

(8) Lessor shall cooperate and assist the Lessee



(Testimony of Harold E. Weeks.)

in securing location leases, hiring and training salesmen, and render all additional assistance practicable, and shall loan sales equipment to Lessee as per list attached.

(9) Lessee shall operate the business in his territory as an independent contractor and shall in no way obligate the said Lessor. This is not an agency nor partnership.

(10) All advertising space shall not be sold for less than \$5.00 per month unless agreed to in writing.

(11) This agreement supersedes and voids all previous agreements between the parties and before executing this agreement Lessee has read each provision herein and understands same, and no other agreement or representation shall be valid or binding on the Lessor.

In Witness Whereof the parties have affixed their signatures the day and year in this instrument first above written.

Payment of \$3750.00 to be made upon sale of bonds being completed.

DIRECT-U-SYSTEMS

By C. S. WALLACE

Lessor

By HAROLD E. WEEKS

Lessee

20 Willow Street, Brooklyn, N. Y.

(Testimony of Harold E. Weeks.)

Witness:

W. K. HALE

63 Columbia Heights,  
Brooklyn, N. Y.

Schedule on following page

ANTICIPATED INCOME AND EXPENSES LESSEE PRO-  
POSES TO EFFECT FIRST YEAR—STANDARD 60  
SPACE INSTALLATION.

Income—60 spaces at \$5.00 per month, or per year.. \$3,600.00

## Expenditures by Franchise operator

Lease rental to Lessor.....	\$ 750.00	
20% Royalty to Lessor.....	720.00	
Location lease .....	100.00	
Sales expense (should not exceed 20%)	720.00	
Sales Manager (if desired) 5%.....	180.00	
60 Advertising cards 8x10 each month, or 720 per year at 50¢ each.....	360.00	2,830.00

Net Profit to Lessee for each 60 space in- stallation .....	770.00
--	--------

Lessee acting as his own Sales Manager earning increase .....	180.00
--	--------

Net profits where Sales Manager is elim- inated .....	950.00
--	--------

## Second and Following Years

Income as Above.....	3,600.00
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## Expenditures—

Lease rental to Lessor.....	\$ 250.00	
20% royalty to Lessor.....	720.00	
Location lease .....	100.00	
Sales expense (should not exceed 20% account renewals) .....	720.00	
720 advertising cards at 50¢.....	360.00	2,150.00

Net Profit each installation 2nd and fol- lowing years .....	1,450.00
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## (Testimony of Harold E. Weeks.)

Standard 40 Space Installation		
Income—40 spaces at \$5.00 per month, or per year .....		\$2,400.00
Expenditures by Franchise operator—		
Lease rental to Lessor.....	\$ 500.00	
20% royalty to Lessor.....	480.00	
Location lease .....	100.00	
Sales expense not exceeding 20%.....	480.00	
Sales Manager (if desired) 5%.....	120.00	
40 advertising cards per month or 480 per year at 50¢.....	240.00	1,920.00
<hr/>		
Net Profit to Lessee each 40 space installa- tion .....		480.00
Lessee acting as his own sales manager.....		120.00
<hr/>		
Net Profits where Sales Manager is elimi- nated .....		600.00
<hr/>		

Second and Following Years		
Income as above.....		\$2,400.00
Expenditures		
Lease rental to Lessor.....	\$ 166.67	
20% royalty to Lessor.....	480.00	
Location lease .....	100.00	
480 advertising cards at 50¢.....	240.00	
Sales expense should not exceed 15% .....	360.00	1,346.67
<hr/>		
Net Profit to Lessee each 40 space installa- tion 2nd and following years.....		1,053.33

24 Space Installation		
Income—24 spaces at \$2.50 per month or per year .....		\$ 720.00
Expenditures by Franchise operator—		
Lease rental to Lessor.....	\$ 157.00	
20% royalty to Lessor.....	144.00	
Location lease .....	25.00	
Salesman 20% .....	144.00	470.00
<hr/>		
Net Profit to Lessee each 24 space installa- tion .....		\$ 250.00

(Testimony of Harold E. Weeks.)

## EQUIPMENT

Direct-U-Systems will furnish to Franchise Operator the following equipment:

Double equipment in all items.—C. S. W.

1. 3 Demonstration Cabinets
2. 3 Illustrated Presentation Books
3. 6 Selling Suggestion Circulars  
Furnished Free: Up To—
4. 200 sets Advertisers' Service Agreements (quadruplicate)
5. 20 sets Hotel Lease Forms (triplicate)
6. Hotel Room Reminder Cards (as needed)
7. 200 Advertisers' Map Location Cards
8. 200 Letterheads — Imprinted with name of Franchise Operator
9. 200 Envelopes—Imprinted with name of Franchise Operator
10. 200 Letters multigraphed on above, filled in with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached. Shipped to Franchise Operator to place in mail.

Extra Equipment—If ordered additional to above; shipped COD:

Letters as per Item 10, Letterheads and envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred. \$5.50

(Testimony of Harold E. Weeks.)

Demonstration Cabinets, each,	7.00
Letterheads and envelopes per items 9 and 10, per 100 sets	2.50
Presentation Books, including Selling Suggestion Circulars, each	1.00

[Endorsed]: Filed 9/21/42.

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Having executed this agreement I paid Mr. Wallace \$3750.00. (This check is Government's Exhibit 5).

### GOVERNMENT'S EXHIBIT No. 5

(1)

Brooklyn, N. Y. City August 1, 1939      No. 2072  
 Brooklyn Trust Company 2-1-102  
 177 Montague Street

Pay to the Order of Direct-U-Systems      \$3,750.00/100  
 Three thousand seven hundred fifty and .....no/100 Dollars  
 Harold Eastman Weeks.

[Stamped]: 16-20 51 1.

[Written in red ink across face]: B 45744

[Stamped across face with illegible bank stamps.]

[Endorsed on reserve side]: Direct-U-Systems, and stamped  
 with illegible bank stamps.

[Endorsed]: Filed 9/21/42.

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I received a letter of acknowledgment from the company, Government's Exhibit 6. Mr. Wallace remained in New York about 4 weeks [3] after I signed the contract. He selected salesmen for me and I approved them and in some discussions with

(Testimony of Harold E. Weeks.)

the salesmen it was recommended that we endeavor as soon as possible to put a cabinet in the Waldorf Astoria. Mr. Wallace advised me not to do it. He said, "You better not do it." (Tr. pp. 63 and 64.) He delivered hotel leases to me from the Hotel Breslin, the Imperial, the Thirties, the Hotel Times and the Park Central. I was told that this field that I had was a new field, that it hadn't been exploited. (Tr. p. 54, lines 10, 11, 12.) I wrote the following letter under date of July 31 to the Direct-U-Systems in Los Angeles: [Printer's note: Excerpt from Government's Exhibit No. 7.]

"Dear Mr. Talbott:

"Your letter of July 29 reached me this afternoon. I assure you that I consider it an honor to be associated with and serving with gentlemen of your standing, ability and experience, in a business so clean-cut, honest and helpful, which is at the same time so profitable.

"Mr. Wallace has been very cooperative and will be indispensable in training the salesmen and helping me get started in the methods which you have proven to be most successful.

"I am glad that you agree with my suggestion relative to the map. In this connection I would like to point out that the Sixth Avenue Elevated has been demolished in Manhattan and should no longer be shown on any map. It may appear on the Hagstrom Map I forwarded through Mr. Wallace.

"The sample stationery you submitted is satis-



(Testimony of Harold E. Weeks.)

factory as to paper, letterhead, and other printing. I am already working on the list of prospects. Mr. Wallace suggested that I prepare two lists of 200 each, one to be sent as soon as possible and the other at a later date. I have the contract money in the bank and am [4] obtaining a cashier's check for Mr. Wallace to forward tomorrow morning.

"I am arranging to have a Secretary-Stenographer who will look after my letters and typing, improving upon this particular letter.

"With my best personal regards and my assurances of diligent endeavor,

"Harold E. Weeks."

I wrote the following letter on August 4th:

[Printer's note: Excerpt from Government's Exhibit No. 8.]

"C. W. Talbott, President

"Direct-U-Systems

"501 North Laurel Avenue

"Los Angeles, California

"Dear Mr. Talbott:

"Yesterday afternoon I received some information concerning the Automatic Map Company, and one L. F. Marsh, who apparently represented that company and made arrangements with two different concerns, or individuals, to distribute, install and obtain advertisements in connection with the cabinets which apparently are very similar to ours, except possibly for the individual 8 inch by 10 inch cards.

(Testimony of Harold E. Weeks.)

“Apparently Marsh played one individual or group against the other, and failed to live up to certain business agreements to such an extent that he was called down to the District Attorney’s Office.

“I am going to quietly and thoroughly investigate this matter to ascertain how it will effect our business, also to endeavor to learn from the parties that were mistreated the extent to which hotels and advertisers were approached. [5]

“I discussed this matter with Mr. Wallace yesterday afternoon and he told me that he was going to telegraph you about it.

“I would appreciate it if you would inform me of any facts you may have in connection with the Automatic Map Company and its methods of doing business, its products, etc. Please, also advise me whether there are any patent complications which might arise in this connection. It will be very easy for me to look into the patent situation through connections I have in Washington, D. C., but I shall do nothing along these lines without your full knowledge and consent.

“I have invited an advertising man, who knows the situation in connection with Marsh and his agents, to lunch with me today, provided he can get away from his work in time. If we cannot confer today I will arrange to have him see me early next week.

(Testimony of Harold E. Weeks.)

“I will keep you posted concerning any developments in connection with this matter.

“Sincerely yours,

“HAROLD E. WEEKS.”

I received the following letter in reply:

[Printer's Note: Excerpt from Government's Exhibit No. 9.]

“Mr. Harold E. Weeks

“11 West 42nd Street

“New York City, N. Y.

“Dear Mr. Weeks:

“We are in receipt of your several letters of the 4th, for which we thank you, and we are not surprised from the information that you have written relative to the Automatic Map. [6]

“There is nothing to worry about from them as their equipment includes only the Directory and Map service even if they do attempt to work in that field, and we have little anticipation that they will be of any concern to you for we have never, and we feel sure that you will agree with us, seen any organization or project built upon the structure and the method of conducting their business upon the lines that they apparently do from the information that you have furnished, turn out to be successful.

“The head of this organization is a former employee of the writer and we knew that they were attempting to operate but we were also familiar

(Testimony of Harold E. Weeks.)

that they had had so much litigation due to apparent misrepresentation it was reported that they ceased operations.

"We have many features that are exclusive and protected which insures our service the outstanding position that it has been placed and the policy that we have pursued has built us an enviable position in our field.

"According to the Hotel Red Book and from all information that we have, we are the only organization manufacturing and leasing electrical advertising equipment that have been extended and have accepted a membership in the American Hotel Association.

"Our advertising cards which change approximately every ten seconds, furnish the advertiser the service that they really desire. For with the plain listing, they do not have the opportunity of [7] changing their copy which is so vital and desirable to them.

"You will find that this service alone will appeal to the advertiser and they would be willing to pay many times the charge that we have suggested for this service, by the mere fact that it permits them to currently advertise their seasonable merchandise, sales, etc., in an exclusive location that they could not hope to secure in any other manner.

"We are making an investigation on this and of course we feel it advisable to carry this along very quietly and we wish to assure you that there is no need for any anticipation on your part of any con-

(Testimony of Harold E. Weeks.)

fiction, for with the information that you have, and we will advise you of our other findings, it will be very easy to discredit them if that is necessary. We are confident that they will not cause you any handicap there, for it appears that they are sure to run into some difficulties if they continue their apparent tactics.

“If the proposition did not offer such unusual opportunities, of course no one would attempt to duplicate it, and if they would carry on their business in a dignified and high type manner as we do, the competition might be beneficial as competition is the very life of business.

“We would suggest that you proceed along our original lines and ignore the Automatic setup as we are not interested in any way in their [8] operations, but keep us advised of any situation that might arise in which they might interfere with you, and we certainly shall endeavor to find a quick and effective manner in which to put a stop to it.

“We have your equipment, including your printing, all finished, and the only thing that is holding it up is receiving your list, so that we may prepare the advance letters and forward the equipment altogether.

“We also include the 8½x11 paper, and we are at a loss to understand your meaning of ‘500 sheets of the same bond paper without letterheads’, but we assume that you desire in addition to the letterheads that we furnish you, some blank paper.

“We feel confident from the reports of Mr. Wal-



(Testimony of Harold E. Weeks.)

lace, that you will develop the outstanding territory in the country for us, and we desire to cooperate with you in every way possible, and assure you that there is no need for you to be disturbed by any reports or activities of any competitive project, for we have ways and means of putting a stop to it, but we feel that it is better to do it without any publicity or causing any friction among the hotel or advertisers.

“With the kindest personal regards and thanking you for your courtesy to our Mr. Wallace who will lend you every assistance possible in getting you established, we are,

“Very truly yours,

“DIRECT-U-SYSTEMS,

“By C. W. TALBOTT.” [9]

I learned about the Automatic Map Company about a week or ten days after I had paid the money to Wallace. (Tr. p. 73.) I relied upon the representations made to me. (p. 75). I ordered a cabinet to be exhibited at the National Hotel Exposition and it was later put in the Park Central. It arrived C O D. However, they reimbursed me. It was on exhibition about five days but did not operate in a satisfactory manner. (p. 77). When you pressed the button a red light was supposed to go on and it did not function properly. The card operating machine was out of order a good part of the time. (p. 78). Part of the time the machine would work and part of the time it would not be-



(Testimony of Harold E. Weeks.)

cause sometimes the card machine jammed and the entire mechanism would stop. (p. 81). I had to arrange to cut down the sides of the cards. I received this letter dated November 6, 1939.

(Government's Exhibit 11.)

"Dear Mr. Weeks:

"The card-changing machine is the only thing that could possibly cause any confusion and we have had this machine under continuous test and running for 72 hours and it is adjusted so that it never misses.

"We used three-ply 180.m. Bristol stock in the cards, and they should be a little under an 8 x 10 size.

"We recommend that a quarter of an inch be cut off of the top and the bottom of the cards, making the exact size  $7\frac{1}{2}$  x 10.

"Where the card is a full 8 inch it fits into the rollers and feeds too fast and that is why we suggest cutting down on the size of the card a little.

"The fact that it handles 60 cards in such a [10] limited space shows that it must be a very delicately adjusted machine, but the only thing that can throw it out of balance is either the wrong weight of card or too many cards in the machine increasing the thickness and crowding the card space, and this can be remedied by the adjusting of a spring tension on the face of the glass."

Afterwards I moved the machine I had at the Park Central Hotel to my own office for the pur-

(Testimony of Harold E. Weeks.)

pose of adjusting it. The machine was equipped for sixty advertising spaces and I had sold eleven when I moved the machine from the hotel to my office. (p. 86). I made some repairs to electrical wiring. I had to put in new batteries every day. The machine was placed in the Hotel, about the 5th or 6th of December. (Tr. p. 86.) For a time it operated fairly well then we began having interruptions. The machine wouldn't shift the card or else it would stop entirely. (Tr. p. 87.) I wrote the following letter to the company concerning my difficulties, "Government's Exhibit 12 (Tr. pp. 89 to 96.)" On the same day I wrote the company another letter as follows: (Tr. pp. 97 to 99).

[Printer's Note: Excerpt from Government's Exhibit No. 13.]

"Gentlemen:

"On December 5th I paid Mr. H. A. Lanzner, the general manager of the Park Central, \$100.00 in accordance with the terms of the contract between the Direct-U-Systems, signed by Mr. Wallace, and the hotel, signed by Mr. Lanzner. The enclosed photostat, evidencing my payment, is for your files.

"On December 6th, (the changeable exhibitor apparently functioning properly) the cabinet was delivered by the American Railway Express Company to the hotel and I had it installed in [11] the spot agreed upon between Mr. Wallace and Mr. Lanzner on the contract form.

(Testimony of Harold E. Weeks.)

“The changeable exhibitor and cards, I personally carried to the hotel, going in a taxicab.

“That night the cards jammed after running for about four hours and the chief bell hop shut off the motor.

“On December 7th, there were two more interruptions damaging cards. In one of these the aluminum roller fell down and the top metal plate on the glass frame was disconnected where soldered on the right hand side.

“The second interruption was caused by two cards running through at once, jamming the machine and tearing two cards.

“Yesterday, December 8th, there were three interruptions necessitating the removal of cards. I saw one of them myself and immediately shut off the motor. The front card had not completely descended and had started moving upward just before I stopped the machine.

“On each occasion the machine ran from two to five hours and then the trouble occurs. Personally, I am inclined to believe that electrostatic charges are being built up which finally accumulate to such an extent that two cards attempt to run through at once and the machine jams. I know of several means to combat this and I would also like your recommendations concerning the same.

“My franchise contract with you calls for you to completely attend to the delivery, installation and maintenance of the cabinets. [12]

(Testimony of Harold E. Weeks.)

“At present, we have 13 bona fide advertisers on this cabinet and most of these have not even made any initial payment. You know the payment arrangements from the copies of the contracts I have mailed to you.

“The sales possibilities have apparently been grossly over-estimated by Mr. Wallace and others. After over 3,000 calls during the past three and a half months, only 23 orders, 13 for the Park Central and 10 for the Imperial.

“We have interviewed about 140 men who considered working for us, many men of wide experience. We have employed about thirty of the most likely of these. They have worked hard. I have advanced much money to keep some of the best alive and they have finally had to give up and leave my employ because they could not make a go of it.

“The attached sheet shows what happened to the men selected by Mr. Wallace.

“Unless you fix up a dependable movable exhibitor at once I am licked as far as any Direct-U-Systems business is concerned.

“Please advise your wishes concerning the maintenance of the Park Central cabinet.

“Very truly yours,

“HAROLD E. WEEKS.”

I wrote another letter about the same time (p. 96) complaining about the mechanical defects of the machine. I received the following letter in reply:

(Testimony of Harold E. Weeks.)

[Printer's Note: Excerpt from Government's Exhibit No. 15.]

"Dear Mr. Weeks:

"Your favor of the 9th as well as the other letter bearing the same date has been forwarded [13] to the writer here and he wrote you under the date of the 11th inst. answering your first letter.

"Frankly the writer is at loss to understand why you failed to include in your first letter the information that the system had already been installed in the Park Central particularly in view of your letter, bearing the same date, gave many good suggestions as to improve that particular rotator.

"We are indeed sorry that you have made the installation in the hotel when you felt that the equipment would give trouble and requested that we make the changes you suggested and ship you another machine as quickly as we could.

"This we have ordered taken care of as you requested and we will rush it to you as quickly as is possible but we explained the cause or reason of the change of card size, etc. in our letter of the 11th.

"The cause of the jamming of cards is due to an accumulation of electrostatic as you have correctly analyzed and we had it adjusted out and successfully tested before shipping but there are quite a few circumstances might cause it to reoccur.

"We have overcome this in the past through adjustment but as you state you are familiar with



(Testimony of Harold E. Weeks.)

several corrections for this and we would appreciate your having this corrected there and we will take care of the cost, if it is not too expensive, while we are preparing another rotator in accordance to your suggestions and testing it.

"We are willing to do this and feel that it is advisable inasmuch as the cabinet is already set [14] in and we want to cooperate with you in every way and this will be the best and not cause any bad features or reaction to the prospects or clients.

"You may rest assured that we will abide by our agreement and take care of the maintenance for we know that only through the successful operation of the equipment can we all prosper in your territory.

"We are at loss why you are having so much trouble with your sales and there is apparently something radically wrong in the presentation of this service.

"As the writer advised you he is one of the pioneers in electrical director and has supervised the installation of a great many directories and has seen successful installations in cities only a fraction of the size of New York where there not even 3,000 prospects.

"You state that your salesmen have made 3,000 calls and the net result only 23 sales. This seems impossible as the law of averages would show a greater percentage than that in any sales work



(Testimony of Harold E. Weeks.)

where the produce of service is presented in any kind of an intelligent manner.

"The writer shipped an installation to a city of 30,000 people that every space was sold and by inexperienced and we felt unqualified salesmen so you can readily appreciate and feel it's almost incredible that the results are so different there.

"We would appreciate your having a photograph made of the Park Central installation from two views at our expense and send them to us and we will prepare some sales data and facts and [15] figures that should sell that space by mail.

"The writer is going to arrange to have our Mr. Marshall, if possible, to go from our Los Angeles office to New York to assist you in getting your difficulty worked out for the service is outstanding that the merchant cannot help but appreciate its value.

"Space on directories have been sold for as much as \$150 per space per year and even higher in much smaller places etc. so we know that the service is salable but apparently there is something something wrong in the presentation somewhere and we want to assist you in finding out just what the trouble is.

"We would suggest that until the trouble has been taken care either by your arranging for the correction or until we can get a new machine to you that you do not run the machine but put in a nice card stationery something to the effect "Park Central endeavors to make your stay pleasant, etc."

(Testimony of Harold E. Weeks.)

rather than carrying any individual advertiser's car.

"We will rush the new equipment to you but in the meanwhile if you can correct the difficulty it will be well and to our mutual advantage.

"Please rest assured that we are more than anxious to cooperate and we know that you will succeed there and will put in many beautiful and profitable installations.

"With the kindest personal regards, we are,

"Very truly yours,

"DIRECT-U-SYSTEMS,

"By C. W. TALBOTT." [16] ..

and also another letter from the Direct-U-Systems dated December 11, 1939:

[Printer's Note: Excerpt from Government's Exhibit No. 14.]

"Dear Mr. Weeks:

"Your letter of the 9th was forwarded to writer here where he is supervising some additional work and you can be assured that we regret that the equipment that was sent you has not proven up to your expectations.

"Unfortunately, when we attempted to rush the cabinet maker, which is always bad, an error was made by them in the size of the opening, and as we were so limited in time that we were not able to have this corrected by them as they claimed it would necessitate their completely rebuilding the entire cabinet.

(Testimony of Harold E. Weeks.)

“Time did not allow for this and the next best thing that we could do was to change the revolving equipment and reduce it in size as this appeared to be the best operation to eliminate disappointing you on the equipment as this could be taken care of while the cabinet was being wired.

“We had this revolving under test for 72 hours before shipping and it did function perfectly with the possible exception of occasionally another or second card was carried through and this caused by a static condition that is extremely difficult to overcome but we did adjust it to a point that it was very seldom.

“On my return to Los Angeles the writer will discuss the matter of additional lights filtering through and it is quite possible that we may be able to construct a new master board and back [17] board and new maps and opaque the reflection and ship it to you and it can be readily set in, the only hard part would be adjusting the map to fit.

“In reference to the cards we have found that the plastic cards make a much better and more attractive stock than paper, and needless to say they are several times more expensive but we feel that the reflection will not be objectionable and they were made to slightly to bow and we have never had an occasion where they proved objectionable but quite to the contrary.

“The writer will take care of the construction of a new rotator, personally, and be guided by

(Testimony of Harold E. Weeks.)

your suggestions and eliminate the features that you have found objectionable as we can assure you that we desire to have this equipment function perfectly as we feel that your territory offers unusual possibilities, in fact, the greatest in United States, and from the recommendations of Mr. Wallace we feel that you have the ability to develop it to a point that will prove very much to our mutual benefit and profit.

“The writer has been actively interested in the electric directory business for many years and has supervised the installations of many quite satisfactory installations and we have found that it is beside the point as it does not directly benefit the local operator as to what results may have been derived in other territories irrespective as to the number of installations. [18]

“His problems are strictly of a local nature as the merchant is not interested in the results from any other city but from what results he can see it will mean to him as his problem is also local and you can show the merchant more spending circulation than he can get in any other medium irrespective as to its cost.

“We place our franchises solely upon possibilities as are offered in the territory that is offered and not upon the strength that there has been so many installations made and our representatives are so instructed and we insist that they adhere to that rule, this is one reason that we embody into

(Testimony of Harold E. Weeks.)

our understanding all of the provisions and request the new operator in our letter of acknowledgement if he understands all of the provisions, etc.

"You may rest assured that we will cooperate with you in every way and correct any difficulty that may exist as it is only through your success that we may all prosper and you have demonstrated that the service can be sold and we know that with an installation in the Park Central that the next several installations will be comparatively easy.

"The writer is returning to Los Angeles in a few days and will work out a solution that we are sure will meet with your approval as we are dependent upon your personal success for our success in New York and feel at liberty to make any suggestions or advice that you feel will be constructive and [19] to our mutual benefit.

"With the kindest personal regards, we are,

"Very truly yours,

"DIRECT-U-SYSTEMS,

"By C. W. TALBOTT."

Later on I received from the defendants another machine to replace the first one. I would say the latter part of February, 1940, but this did not seem to operate much better. (P.108) I sold ten or eleven advertising spaces in the machine that I had installed at the Imperial Hotel and they shipped a new machine to me which was very much better but I still had trouble with it as the cards jammed in the machine. I finally received five machines,



(Testimony of Harold E. Weeks.)

three of which were not delivered until sixty days, four months, and seven months, respectively, after they were ordered. (Tr. pp. 111, 112.) By reason of the defective mechanisms of these machines, I probably lost about thirty percent of my advertising. I continued to operate these machines actively until March 1, 1941. I did not make any net profit. During the time I was actively operating them, I spent about \$14,000 and took in about \$1,170. (p.114) A Mr. Morgan called on me during this period and said he wanted to meet me personally as he had referred to me in his advertising of these machines as a successful operator. Mr. Marshall never came to see me in New York. (Tr. p. 114) However, I actually quit this business in March of 1941. I do not know what became of the machines that were left in the hotels (p. 118). I have one of the machines at my home at the present time. I sent the following wire to the Direct-U-Systems: (Government's Exhibit No. 16.)

“Waldorf cabinet made by National Directory Systems for that hotel while Talbott president. Five bad interruptions Park Central rotater during April damaging many cards. Impossible sell service this cabinet until replaced by proper rotater. When will efficient one [20] demanded four and a half months ago be sent by express. Wire.

“HAROLD E. WEEKS.”

and I received this letter: (Government's Exhibit No. 17.)



(Testimony of Harold E. Weeks.)

“Dear Mr. Weeks:

“We received your telegram giving us the information that the Waldorf installation was made by the National Directory Systems for that hotel while the writer was president of the old company.

“This is all news to us as the writer has had no interest in the National Directory Systems since the early part of 1938—and to the best of his recollection, there was never any lease on the Waldorf Astoria. Of course, any operation of the National Directory is out of any jurisdiction or suggestion of the writer. However, if you will send us the names of the advertisers on there it is quite possible that we could get some of the creditors for the old National Directory Systems to demand that the payments be made direct to them. This, of course, you can readily appreciate will stop any operations in a hurry of the National Directory.

“In reference to the rotating machine—we are tooling up to get this equipment in manufacture. But as we requested some time ago, if you will give us your reaction as to any changes, etc. we would appreciate it very much. We were advised by Mr. Musorofite that the operation was very good in the Park Central—in fact, it was running satisfactorily. However, he recommended and suggested that we furnish one of the [21] new rotators which we intend to do.

“We asked you sometime ago to send us the copy on some of your cards, and we would be only too happy to cooperate and would have some of

(Testimony of Harold E. Weeks.)

them remade here to take care of the damage there.

“We have not been able to get any reports as to the additional sales of any space on either the Park Central or the Imperial—nor have we been able to get any cooperation from you in furnishing us the data we requested so we could prepare some special selling material for you.

“We are quite at loss to understand your total lack of cooperation and your indifference to this situation, as we are extremely anxious to work out and cooperate with you in every way possible. You can readily appreciate that the only way we can hope to profit by this is through your installations and the royalties which would be forthcoming.

“If you will go through your file for the past few months and furnish us the information we requested, we will be able to furnish you some additional selling helps which we believe will be quite advantageous to you. In the meanwhile we are proceeding with the development of the new rotating machine. We assume from the information that Mr. Musorofite has furnished us and your lack of advising us to the contrary, that the rotating machine is functioning perfectly in the Imperial, and there would be no changes suggested.

[22]

“We would appreciate it, however, if you would have a photograph made of the installation in the Imperial so that we could keep our records complete.

(Testimony of Harold E. Weeks.)

“If there is any other cooperation and assistance we can render you, please do not hesitate to call upon us. We are extremely interested in your success and will cooperate with you in any way that is in line with good business.

“With the kindest personal regards, we are

“Very truly yours,

“DIRECT-U-SYSTEMS,

“C. W. TALBOTT,

President.”

(Government's Exhibit 18, Tr. p. 123.)

# GOVERNMENT'S EXHIBIT No. 18

Direct-U-Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

August 8, 1940

Mr Harold E. Weeks

160 Fifth Ave.

New York City.

Dear Mr Weeks:

We wish to acknowledge receipt of your favors of the 2nd and 5th and wish to assure you that we have no desire to enter into any controversy with you nor do we want to have any hard feeling or any misunderstandings with you as it is so foolish as we are both interested in reaching the

(Testimony of Harold E. Weeks.)

same goal, the installation and successful operations of Direct-U-Systems in your area.

We do want you to know that we are sincerely endeavoring to render you the best service that we know how and build you the best equipment that we humanly can. Our sincere endeavor is to assist and co-operate with you in every way possible and it is possible that during this time when so many things seem to go wrong that all of our nerves become somewhat on edge. Possibly we have both taken things that have been written in a way entirely different than the true since in which they were meant and to offend you is the farthest from our intent and we do hereby entend our apologies.

In every business that you must depend on others to do your contacting many reports are sent in many are no doubt tendered more in a nature of excuses to cover shortcomings and we passed on to you telling you what we had heard and we are quite glad to be assured by you that they were not true as we felt that you were not the type of a person that would knowingly hurt us. As far as we are concerned we consider the matter closed with our regrets that they were even called to your attention.

The Pacific National Advertising Agency is just one of several hundred advertising agencies that handle space for various newspapers for the commissions that the papers pay them and they with

(Testimony of Harold E. Weeks.)

several other firms rent space in the same building that we are located.

As far as Mr. N. H. Marshall is concerned he is not employed by us nor has he been but is well known by us as he was at the time the old National was operating most successfully as the financial records will show it was when he handled the sales and thru his efforts and knowledge and hard work the most successful development was done not only by the company but by the lessees. When he left the old National due to some personal and domestic difficulties their decline started and when it reached a point that the writer did not care to be associated he disposed of his interests and the old investors realized that they had made a mistake and we are sure that if you knew him we are sure that you would agree. He is interested in some educational business but we are sure that if you will write him addressed P. O. Box .....? Hollywood Cal. that it will be forwarded to him and he will, we feel, be more than glad to assist in rectifying any reports that may be damaging to you or this company.

We are at loss to understand what connections any report on him may have with your selling any of your prospects as he has never had any connections with this company but we will say, frankly, that he can have a position here at any time and we are equally sure that if you knew him



(Testimony of Harold E. Weeks.)

you would give him serious consideration as to the handling of your sales.

Your prospects are doing business with you individually and this company has nothing to do with it nor does anyone else as we can see it and we feel that all you have to do is to establish yourself in their eyes as your are the lessee and operator of Direct-U-Systems in New York City.

As far as we are concerned we want to consider any misunderstandings in the past a closed book and extend ourselves to developing a future that will more than offset any unpleasantness.

We are very happy that you are well pleased with the Governor Clinton installation as we can assure you that we have truly tried to build it as near perfect as possible and we do regret that there was anything to do to the machine and we are confident that it will function perfectly. We do appreciate the fact that you are sincere in your desire to make helpful suggestions to perfect the equipment and if we have ever wrote otherwise please accept our apologies again.

We are sure that you appreciate that some arrangement must be made to shut the motor off a few hours each day and using Direct Current a time switch can not be used.

We are rushing the other systems as fast as we can but as we have explained some of the vital parts are being held up by the war such as push buttons and certain other materials. We have the cabinets completed printing, rotating machines



(Testimony of Harold E. Weeks.)

ready etc as are quite interested in getting them to you as soon as possible.

We would appreciate it greatly if you would have a photo made and if possible to include the hotel manager as we have a program that we feel we assist you materially in your sales if you will co-operate along these lines.

With the kindest personal regards and again assuring you that we hope any unpleasantness in the past will be overlooked as a closed book, we are,

Very truly yours

DIRECT-U-SYSTEMS

T/N

By: C. W. TALBOTT

(Cut)

An International Service

[Stamped] Received Aug 12 1940 Ans'd....

[Endorsed]: Filed Sept. 22, 1942.

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Also the letter dated July 25, 1940, as follows:

[Printer's note: Following is from Government's Exhibit No. 19.]

"It has come to us from several sources, that you have been putting out some erroneous reports, mainly that there is some connection between the National Directory and our present organization, and that the National Directory Systems were competing with you.

"We went into long detail and explained the entire situation to you, as well as assuring you

(Testimony of Harold E. Weeks.)

that this company has no interest, nor have any of its officers any interest either directly or indirectly with any other company, and we have no jurisdiction over any of them.

“The latest report we had this week was that you had stated that the National Directory was competing, and that they were connected companies, and we finally checked up with the attorney for the creditors of the National Directory Systems [23] and we find that the installation you claim is in the Waldorf Astoria, is being used without any authority, and the attorney asked us if we would endeavor to get the names of the people who have subscribed to this service, as they would like to take the matter up direct with them and stop all payments to anyone, as that equipment belongs to the creditors, and at this time they are not getting anything out of it.

“The first information that we had that they were even attempting to use it, was the report from you.

“We asked you to furnish us this information quite some time ago, as we were trying to check up on it, but we were not accorded the courtesy of your cooperation in this.

“It appears that this situation in New York is one that neither you or are we happy over it, and we were wondering if you would be interested in disposing of your lease agreement as it is quite possible that we could arrange with someone in that area to take it over on a basis that would

(Testimony of Harold E. Weeks.)

relieve you of some of your investment, and place it in a position where there is some liklihood of our making some money out of it. We feel that an arrangement of this kind would undoubtedly lead to much more happiness, not only on your part, but we can assure you, on the part of this company, as we have endeavored to cooperate and assist you in every way possible, and do not know whether it is purposely or otherwise, but certain adverse [24] reports that you have put out, have practically 'stymied' our operations in the East. We are rather reticent to think that you would deliberately take such steps, as we have endeavored to cooperate with you and furnish you equipment as near to your wishes and desires, although not strictly in accordance with our agreement, and most certainly we do not agree to furnish anything except our standard equipment, and we have made many changes, including the re-designing, to give you a larger size card on the rotating machine."

I disregarded their offer. (p. 132) I received another letter as follows: (Government's Exhibit No. 20.)

"We wrote you sometime ago and asked you if you would entertain a proposition to dispose of your lease agreement, but we were not accorded the courtesy of a reply, so we assume that you are not interested, and desire to continue.

"We do regret that we are not in position to

(Testimony of Harold E. Weeks.)

take care of this Musorofite account, but feel that we can during the month of September.”

Cross Examination

By Mr. Stoddard:

I signed the document which you show me dated August 18, 1939. (Defendants' Exhibit A)

“Verification of assistance given to franchise owner. Franchise owner: Harold E. Weeks.

Operating as: Harold E. Weeks.

Address: 11 West 42nd Street.

City: New York City.

No. 1, Hotels

Name: Imperial [25]

Times Square

Breslin

Location: New York City.

No. 2, Helped Secure Cooperation or Acceptance of Local Chamber of Commerce: Not possible in city this size.

No. 3, Assisted in Securing Six Salesmen (also sales manager,)” and written above that “None desired.” All as selected by franchise owner as a satisfactory starting organization.

No. 4, Assisted at Meetings in Training and Informing said Sales Organization.

No. 5, Helped Franchise Owner Find and Rent Suitable Office Quarters,” and under that, type-written, “Already had office, 11 West 42nd Street.

No. 6, Assisted in Compiling Adequate List of Prospects to be Mailed Special Letters.

(Testimony of Harold E. Weeks.)

No. 7, Left with Mr. Weeks Additional Equipment over and above number allowed in contract.

“Assistance given on (dates): Intermittently from August 1st to August 19th.”

And above that “Assisted engaging and trained sales force every day from August 14th.

“By C. S. Wallace, as Division Manager.

“To: Direct-U-Systems, Los Angeles, California.

“Your representative named above has done, or assisted me to do, each of the items checked. Accordingly I have now received all assistance you agreed to furnish me and all supplies for use in my first campaign and believe that I will be able to carry out my part of our agreement without further assistance.

Signed: HAROLD E. WEEKS.

“Dated August 18, 1939.” [26]

I signed and mailed the letter under date of October 10, 1939 which you show me. (Defendant's Exhibit F).

“Gentlemen:

“This morning I sent you a telegram confirming the possibility of exhibiting a walnut finished cabinet at the National Hotel Exposition at the Grand Central Palace, New York City, from November 13”—skipping one paragraph with reference to the booth.

“The cost of the booth is \$192.50. This price covers the standard booth equipment including very



(Testimony of Harold E. Weeks.)

attractive drapes, sign and floor covering as shown on the attached leaflet.

"It will be necessary for me to furnish the booth with chairs, tables, lamps, etc., and I estimate that my expenses, including the booth rental, for the five day period of the exposition will amount to about \$300."

I was told by the Direct-U-Systems that a rush order on a machine would mean rush construction. (P. 145) I sent the following document: (Defendant's Exhibit G)

"To Direct-U-Systems, 301 North Laurel Avenue, Los Angeles, California.

"Am anxious to demonstrate walnut finished cabinet at National Hotel Exposition, November 13 to 17 stop If I have your map marked for locations of 60 bona fide and prospective advertisers and twelve points of interest also complete information for printing narrow cards in your hands by October 16 can you deliver cabinet at Grand Central Palace Manhattan November 10 stop. Will furnish 8 by 10 cards here stop [27]

This machine is the one that gave me the most trouble. I was not told that the Direct-U-Systems cabinet was the only kind on the market. I was told it was the best. (p.153) I will say they are a beautiful cabinet. There is no question about it. (p.155) However I had trouble all the time from time to time. Occasionally a button would stick and the lights would burn out but this was not serious. The thing that was the most serious was

(Testimony of Harold E. Weeks.)

the animator. That was the mechanical feature that was my chief complaint, but the animators were improved on later installations. (p.157) It was a very difficult field in which to operate because it had already been worked over by two companies. I had contracts cancelled because people could not see their card; they weren't operating. I have letters from people—I have them with me, people who said they went in the Hotel again and again and their cards were not operating, the machine was not operating. The cards, too, became terribly worn and dirty; they had to be replaced often. (Tr. p. 158.) I had myself never had any previous experience in selling of this type. I had complaints about people tampering with the cabinets but that was where we had to open up and put in cards. (p.169) I claim that things were misrepresented to me in the literature and pictures of installations in hotels. The pictures referred to were those pictures of cabinets that were supposed to be installed. I supposed they were still installed at the time the pictures were shown me but they had been removed as unsuccessful. In other words, these machines were determined as being unsuccessful by the operators of the Hotel at the very time they were shown to me as being in these Hotels. A picture of a cabinet in the Multnomah Hotel at Portland, a picture of one at the Plaza Hotel at San Francisco, a letter about a cabinet in the New Washington Hotel at Seattle, were shown me. Those letters of recommendation

(Testimony of Harold E. Weeks.)

were written to a man named Kane and they were dated prior to the date of incorporation of the Direct-U-Systems. I claim that all of that was misleading to me and to the general public. (Tr. p. 173.) [28]

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CHARLES S. WALLACE,

called as a witness on behalf of the Government,  
testified as follows: (P. 175)

Direct Examination

By Mr. Neukom:

I was engaged as a salesman by Mr. Marshall in the year 1939 by the Direct-U-Systems. This was in the old Pioneer Building in Los Angeles which Mr. Marshall owned. I sold cabinets to the witness who preceded me, Mr. Weeks, but I never made any representations not contained in the company's literature or in my kit. (p. 176). This letter which you showed me dated July 22, 1938 which is addressed to Mr. Kane was in the kit which Mr. Marshall gave me. He told me that the National Directory Company was out of business and that they had made a lot of improvements in this new cabinet and in this new company. I was shown pictures of the installations in the Hotel Multnomah and New Washington Hotel, (p. 179) but I had never been up there to see whether the cabinets were up there. I showed Mr. Weeks these two letters concerning Hotel Multnomah and New Washington

(Testimony of Charles S. Wallace.)

Hotel and told him they pertained to the cabinet I was then trying to sell him a contract on. I told him, "Here are some letters from Hotels that have our installations in and would show how well satisfied they were with the cabinet." (Tr. p. 179.) The policy of the company was that ads would be run in cities and then I would call at those cities later on. Mr. Marshall would keep me advised where I was to go. The box you showed me is a demonstrator furnished by Direct-U-Systems. I showed it to Mr. Weeks; at that time he had on it the wording "Property of Direct-U-Systems, Los Angeles, California, patent pending." (Tr. p. 181.) I received this circular letter which you are showing me, which is a typewritten instrument, from Mr. Marshall who told me this was the general procedure to follow. (p. 182). I utilize material or ideas from that document in making sales. (Tr. p. 183.)

Here the Government introduced Exhibit 25, as follows:

"Directly upon arrival in a city it is [29] advisable to either get the prospect on the telephone and arrange an appointment with him, keeping in mind that it is well to make the appointment at a time that is convenient with him, but not forgetting that he should be expecting you, as he has been advised that you will advise him of your arrival. If he has no telephone it is well to send him a telegram, which as a rule costs 15 or 20 cents, otherwise a special delivery letter.

(Testimony of Charles S. Wallace.)

“By sending either a special delivery, or better yet, a wire, it immediately demands his attention and is quite impressive and should be conducive of faster action on his part to arrange for an appointment.

“I would not tell him the length of time that you feel the interview will require, as that would be dependent on his interest and how he grasps the deal.

“I would schedule the appointments about an hour apart, as this time will slip by very fast, and if you get the proper reaction the appointment may run longer, and if it does it offers you an opportunity to arrange for an appointment later in the same day, or evening.

“Keep in mind that the prospect is coming to you in answer to an advertisement, and he has received a letter that has told him nothing, with the exception that a man with good business experience is desired for a permanent connection with a reasonable income in excess to his present earnings, otherwise he would not, except in [30] occasional instances, be interested in making a new connection. He will in the major portion of the time be somewhat nervous and extremely interested in making a good impression, at least until he has heard the deal.

“It would be well upon his arrival and entrance into the room to attempt to make him comfortable and at ease by discussing the topics of the day, etc., gradually working around to discussion as to what his past experience has been, and this can usually be brought up by simply saying, ‘Mr. Jones, what has



(Testimony of Charles S. Wallace.)

been your line of business?' Leading him along to tell of his past business connections.

"It would be well to make the remark that he has no doubt travelled quite a bit, always helping him build himself up to the point that he believes he is quite a successful business man, and quite a world traveller, as this leads him into the position later that he must admit he can visualize the needs and uses of our equipment.

"You can at this time take out your application blank and start jotting down the various answers to the questions, with a casual remark that you have to submit a report of each interview, and if there are any questions that he is reticent in answering that you will just omit them, but it does assist you in selection of the best applicant, as not only the company, but you yourself, are entirely dependent upon the selection of the right man, particularly when we have a proposition of the unusual merits, as we do, and where we have nothing to sell and the man selected handles all the moneys from that division. [31]

"These spaces are what we derive our revenue from and are what we are interested in securing the services of a resident manager for, not that we want him to personally get out and sell this service, but to supervise two or three salesmen, and to handle the collections and the handling of the moneys. There is no trouble in getting good high-class experienced advertising salesmen, particularly for this

(Testimony of Charles S. Wallace.)

service, we never designate it as advertising, but in reality it is advertising.

“Many advertisers knowing the richness of this market, have expressed surprise at the low price of reaching it in his unique and effective manner.” I will skip some more.

“As I told you, we are not interested in securing the services of a high pressure promoter type of a man, but we are interested in securing the services of a man with good common sense and business experience that will be willing to devote his time to supervisory work, collecting the money, etc.; that is interested in a permanent connection. We are not interested in his being an experienced salesman, or knowing anything about advertising, as he can secure experienced salesmen for this part of the work. Our experience has shown that it is necessary to have some local man to handle the supervising and checking to see that the advertisers sold are really good reputable men or concerns that would be really representative of their respective lines.

“It is only necessary to have two and not over three salesmen, and one of these can be the sales [32] manager, and have actual charge of the salesmen, and the resident manager need only have his contact with him, and that only need be once a day, or even less until the cabinets are installed and then he would only have to handle the collections and the disbursements. The resident manager handles all of the money in his division. He pays the sales-

(Testimony of Charles S. Wallace.)

men, remits to us, pays the lease rental to the hotel, etc.”

In my sales endeavors I made representations substantially as contained in the circular from which you have just read. (Tr. p. 190.)

“Q. Mr. Wallace, you have heard me read this so far? A. Yes.

“Q. Have you in your endeavor to makes sales made representations substantially as stated here?

“A. Substantially, yes, sir.

“Mr. Stoddard: We, you will find, are extremely conservative, and as I told you, we have nothing to sell you, and we are dependent on your success for our profit. A salesman that cannot sell at least one contract a day, and frankly he should sell two or three, would not be the type of salesmen you would keep, but with one sale a day he would make \$12 a day, and if you have two or three salesmen working when they only operate one sale each day, each, it would only take about a month to make an installation, and it should be a great deal less. But you can readily see that you can get the pick of high class men.

“Now we want a local manager to handle all the territory that he can consistently, but we would [33] not want him to handle more than he can supervise. We know that a man should be able to handle the installation of some 20 to 30 systems, and we want to assign sufficient territory that will enable him to make this number of installations. Now, how many

(Testimony of Charles S. Wallace.)

installations do you think could be installed in this territory?"

And this is in parenthesis:

"(You outline in your own mind the territory you think he should have, figure sufficient cities or towns that have 15 or 20 good hotels at least)."

And this is in parenthesis also:

"You can build up the prospect to the point that he should be selling you on the idea that you should put in twice that amount. Then you tell him that you feel, and the survey that the company has made on this territory shows, that you should be able to put in even more than that number, but that you are dependent on his success, and you and the company want to be ultra-conservative, and while you think and feel that the amount of installations should be 20 or 30, you do not want to paint any beautiful pictures. Tell him again that you have nothing to sell him and would rather figure he could sell only half the amount he has said (the prospect) could be installed, that you want to keep the estimate conservative, and keep telling the prospect that.

"You should not have the prospect up to the point where he wants to know about the \$1,500 we advertised for, but don't tell about this, but tell him you want to outline the entire proposition and get his reaction, for if he cannot see [34] where it is a clean, legitimate deal and one that will make him (the prospect) money, and if the prospect is not interested in a permanent connection, and if he can-

(Testimony of Charles S. Wallace.)

not see the merits of our proposition, it would be unnecessary to go into that phase."

"I am skipping some now.

"Now, Mr. Jones, I don't know how this proposition appeals to you, but I feel sure that you have never had a proposition offered to you that affords you the opportunity for a permanent connection with an assured income as this does, nor one that has more ethical points, dealing with only the highest type of business men, offering them an opportunity to get their name and advertisement in a location that they cannot do themselves, an opportunity to reach the money spending public in an economical, dignified, unique and animated way.

"It is my job to select the best man here that it is possible for me to find, as my future income as well as the company's is based entirely upon your success—if you are in earnest, and are really interested in a permanent connection, one that will make you money this year, next, and each succeeding year, this should appeal to you, and we are dependent upon selecting a man with good common business experience, one that we can depend upon, a man that is interested in being guided by a plan that is sound and profitable. This is a mutual deal. Both of us must be successful, and there is sufficient income and profit to make it [35] attractive to all of us.

"Now, Mr. Jones, as I said, we have nothing to sell you, which is true, for we do not sell any of our equipment, but we make all of our installations on



(Testimony of Charles S. Wallace.)

lease basis. We lease the system for the first year for \$750. Now the way the company figures, this lease rental just about pays for the building of the system, its maintenance, upkeep, etc., and then the company gets a 20 per cent royalty, or \$720 which is practically all profit, and it is from this that I receive my compensation, etc.—”

I received for my compensation 30% commission. That is, I got 30% of what the company received. (p. 195) I got 30% commission of the \$3,750 obtained from Mr. Weeks. All I ever got was the money from the initial sale. I told Mr. Weeks I ought to be able to install ten machines as a minimum, and that I ought to be able to make \$7700 out of ten installations. My next sale was to a lady by the name of Flora Fitch. (p. 198) I was with the company off and on for two years. I never did get any royalties that had been paid to the company.

By the Court:

(p. 200) “Did you consider that letter as misleading?”

The Witness:

“I did not at the time.

The Court:

“Well, do you now?”

The Witness:

“Well now that you point it out to me, yes.

I never saw Mr. Weeks while I was in New York but I saw the installations and the cabinets in the

(Testimony of Charles S. Wallace.)

hotels. (p. 210) [36] I did not use the picture of the Sir Francis Drake Hotel installations when I was selling in the East.

[Printer's Note: The following quoted matter are excerpts from a series of letters from Direct-U-Systems to Mr. C. S. Wallace, introduced into evidence on Sept. 22, 1942 as Government's Exhibit No. 27.]

"This deal has been through every kind of fire and it has withstood all attacks. This deal has been before the Federal District Attorney, Attorney Generals of several States, the District Attorney in several cities, as well as the Post Office Inspectors. They spent months on it, trying to find some loop hole on it, and in the end they gave a clean bill of health, which is the only thing that they could possibly do, as the deal is clean, legitimate, meritorious and does offer to a franchise operator an opportunity to get into a business that will prove to be profitable and will give him an opportunity to build up a good business.

"You are aware of the fact that we have spent a great deal of money in setting up the Educational and we are not blessed with any surplus of money, and with this thought in mind we do not understand why you would not be considerate of us." (Tr. pp. 205, 206.)

"We received your wire this morning in reference to Weeks being somewhat excited about the American Map Company. Of course we know nothing of the American Map Company and while it is

(Testimony of Charles S. Wallace.)

quite possible that we have some competition, we know that we have some outstanding features that they would not dare attempt to use.

"You may point out to Mr. Weeks, of course, the hotels we have leases on there would not attempt to even make any installations.

"We have had so many obligations that have piled [37] up so much, that while the check was a couple of godsendes it did not cure all of our ills, and we must be in a position to keep our statement in good shape, and also be able to carry on in case of another slump.

"As I wrote you last Saturday, I expect to come east within the next four or five weeks, but it is necessary that I go to San Francisco and get a couple of deals through before I would be in a position and be padded enough, before I spent the time and money necessary to do a good job in setting up offices and carry on the proper training.

"Of course, the most outstanding disappointment was the fact stated in your wife that Jones would not have his money until the 26th.

"We think you are making a big mistake—in fact it has been proved in many instances—that where these fellows want some time, that you don't require a deposit. You can get around this by telling them, 'Now, Mr. Jones, if you can give us a deposit of a couple hundred dollars I think I can hold this territory open.'

"You know we have had several unfortunate instances that have cost not only you, but us, quite a lot of money. We think in every instance you

(Testimony of Charles S. Wallace.)

should insist they give you a check of some kind as a deposit.

“The main thing is that you should get a deposit after this because you know it doesn’t mean anything to get a contract signed.

“As far as Weeks is concerned we would certainly [38] like to work out some kind of a Repurchase Agreement with him. And it might be reasonable to drop in and see him while you are there.”

“It is quite possible we better have Mr. Talbott make up demonstrators with the Detroit Leland on it. This would take away from the East Coast and anything dealing with New York. It might be advantageous.”

Mr. Stoddard (Reading): “Give me your reaction on this and we will give you the necessary information, and so forth, so that you can get him to sign. It might be advantageous to do this. If he isn’t going to be of any help and isn’t going to work, of course we don’t want him to continue on.”

“If the deals you closed had come through, you would have been in pretty good shape all the way through. In fact, we all would have been in good shape.

“We are also making you up a new demonstrator showing the Detroit Leland instead of the New York Installation for your cabinet demonstrator. We believe this will be better and suggest you keep away from mentioning the New York setup.

“We would like to have you go to the Waldorf Astoria. They have a Directory there and get all

(Testimony of Charles S. Wallace.)

the information you can about it. We believe it is an old National Directories System and we would like to get the dope on it. In fact, [39] we would appreciate it if you could copy down the names of the advertisers on there so we could have it. We still have a little interest in that company although it isn't active or operating, but enough interest so we think we can put a stop to them.

"Weeks will have some information on the Robot operations, but don't pay any attention to it. Just go right ahead and saw wood."

"We have had several letters from Singleton—."

"He is extremely anxious to try and work out something. He certainly wants to go on this deal. He sent us all the dope on his house and also on his uncle who is the banker who has the mortgage of about \$400. We guess he was the one he anticipated getting the money to get started on this in the first place. It really is a shame that a man that is sold as much as he is that we can't get to work out the finances some way. From what he says of his house and the report we have on it is that it is a very nice little place and something that should be worth a very safe loan of \$1,000 from some outfit. You might talk to your brother-in-law, he might know someone who would be interested in making a loan of \$1,000 on the place. Singleton claims that the house is worth about \$3,500, but the bank says it is worth about \$2,400.

"We would like to know if you have contacted Weeks."



(Testimony of Charles S. Wallace.)

This is a letter of May 2, 1940 in the same exhibit. [40]

“If he is not satisfied, let’s see if we can work out some sort of a Repurchase Agreement on it. Find out how much money he has actually collected and see if we can’t work out something to get him out of that deal.”

Letter of May 29, 1940:

“Certainly hope you can close the deal there as we are very badly in need of a deal, as it seems that everything has been drifting along and no action from anyone. I don’t know what the trouble is but it has gotten us in a very tight position again, but we know that it will pull out in the next few days.

“We have been terribly short of money, and we will try to get you some money within the next day or two.

“Certainly hope that you made provisions for forwarding your mail, as we sent you a photograph and setup on the Sir Francis Drake, which installation we expect to make within the next few days. We feel that it is advisable to use that instead of any eastern setup while working in the eastern territory.”

That is a letter of May 31, 1940.

“There isn’t much to write about with the exception that we have been going right along and things have been exceedingly tight with us. Morgan has not had a thing in the south, and that bears out the

(Testimony of Charles S. Wallace.)

fact that you were really doing a pretty good job.”

“Mighty glad to get your letter that you had [41] written Thursday and your wire that you had a deal that you expect to close today and I just have a feeling that you will do just this thing, and I am looking for a birthday greeting today and it will sure make us happy—for we sure can use it.

“Foxy is away for a few days as she sure has been working herself to death again and if we can get things going again so we can all have a little folding money it will be swell, and I have just that feeling that we are right on the brink of it.” (Tr. pp. 206-214.)

#### Cross Examination

By Mr. Stoddard.

This long document which Mr. Marshall gave me was so I could get the general plan outlined of the company and I was careful in talking to prospects to state all of the facts as I know them relative to the company and I never said anything that, to my knowledge, was false and I knew when I went out for the National Directory Systems that they were new in the field. I believe Mr. Marshall told me that the machine had been perfected. I told Mr. Weeks that the Direct-U-Systems was the most beautiful thing and the best one on the market. I told him that there had been a robot on the market but that they were out of business or going out of business. I knew that the National Directory Systems had gone out of business. (p. 217.) I assumed that Mr. Weeks was always dissatisfied and

(Testimony of Charles S. Wallace.)

I do know that Mr. Weeks was not fully cooperating. I know some of the installations which Mr. Weeks had were working. The company advanced me money on my expense account ahead of any commissions and deducted it when I earned the commissions and Mr. Marshall frequently wrote me suggesting that I try not to draw as much money as I wanted. The company always paid me my commissions. It was the advances they objected to. Marshall told me that there [42] were a great many towns the National Systems never went into and that he would pick out these towns for me. (Tr. p. 233.)

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### RALPH H. BERGEN

was called as a witness on behalf of the Government, and testified as follows:

I am an engineer by occupation and have been a contract purchaser of the Direct-U-Systems. I saw an ad in the San Francisco Examiner in 1940 reading as follows:

“Resident Section Manager, permanent national organization. No personal selling. Income reasonably \$750 per mo. \$2,250 cash required. Returnable. Stand rigid investigation. Box 69120 EX.” [43]

I wrote a postal card answer to this and received a letter signed by Mr. Talbott on the stationery of the Direct-U-Systems and then talked to Mr. Bryant in November, 1940, about this prospect. This

(Testimony of Ralph H. Bergen.)

conversation took place in the Sir Francis Drake where there was a machine on exhibit. (P. 226) Mr. Bryant thought he should easily be able to install five boards in San Francisco the first year. I told Mr. Bryant that my health had been bad for several years and I wanted to get back into some business. I cannot remember what he told me as to whether or not the boards were patented. He told me all the boards that were operating in New York City and named some of the hotels. He showed me a picture of the Times Square Hotel Electrical Directory. He told me that San Francisco was virgin territory and there had not been any machines there before. (P. 233) I gave him at that time a check for \$2,250 relying upon representations that he made to me. I paid a total of about \$4,000 for the franchise rights in San Francisco. I later came down to Los Angeles and met Mr. Talbott and Mr. Marshall. Mr. Marshall was introduced to me as the Sales Manager of the company and Mr. Talbott said that he, Mr. Talbott, was the president. I had a conference with them and nothing was said contrary to what Mr. Bryant had told me. I was shown the machines there in their shop and was told they were working satisfactorily. I do not know that I can honestly state that I had any discussion with Mr. Marshall as to what I would make on a machine a year. I did tell him that I was making this investment for the purpose of making money. (P. 238) Mr. Bryant told me that he had a man in Tennessee who had

(Testimony of Ralph H. Bergen.)

been highly successful with this business and I sent this man the money for bus fare to come to San Francisco. Mr. Malone did go to work for me and worked about two and one half months. One of the cabinets at the Sir Francis Drake was turned over to me [44] as one of my cabinets but at that time the ads appearing in it had not been paid for. The machine was used as a sample. (P. 240) I got salesmen and put in every effort I could to sell spaces. I sold three spaces at \$10 per month each. There was not much difficulty with the electrical directory but the card display did not work satisfactorily at all. The cards would get black streaks on them. I communicated this to the Direct-U-Systems. I never did get any other hotels to sign up for advertising. (P. 243) I later wrote Mr. Talbott and told him that I had discovered there was a franchise operator who had preceded me to San Francisco. Mr. Marshall did not tell me that there had been a contractor operator at San Francisco before I came in. (P. 246) I received the following letter:

“We hired Mr. Burke to compile the data in conjunction with one of the Civic Organizations there and which the demonstrator was built and placed in the Sir Francis Drake.

“We regret very much that you have not had this information and we will hurry it along.

“We have no record of the sales that Mr. Burke made, with the exception that it does run in our memory that there was a Dr. Lerner Waldo, but



(Testimony of Ralph H. Bergen.)

if we had any other data as to the sales that he made, it would be with the data that we gave to Mr. Bryant to turn over to you. Undoubtedly Burke can give you this information if you are in touch with him."

I met a Mr. Belling who called at my office in San Francisco. After talking to him I wrote the company the substance of the conversation. (Tr. p. 248) [The following is from Government's Exhibit No. 29.]

"Mr. C. W. Talbott,

"Direct-U-Systems, Inc.

"Dear Mr. Talbott: [45]

"About a week ago a Mr. Belling called upon me and stated that he had been negotiating with Mr. Marsh relative to taking up a franchise to operate Direct-U-Systems in Los Angeles. Mr. Marsh had made certain statements to him with reference to operations in San Francisco, and he came up here to check up for himself, just as I went to Los Angeles.

"Mr. Belling asked me certain questions which I answered frankly and to the best of my knowledge, after which he told me that the statements made to him by Mr. Marsh were directly opposite to what I had told him. After some conversation I suggested that he go directly to you, feeling in my own mind that you could and would clear up the misunderstandings, and I also told him I would appreciate it if he would drop me a line and let me know what he found out.

(Testimony of Ralph H. Bergen.)

“Mr. Marsh told Mr. Belling that the San Francisco board in the Sir Francis Drake Hotel had been completely sold and paid for by the advertisers, and that the hotel had been paid \$150.00 by the San Francisco agent. This according to his note of today was again confirmed, after his conversation with me, by Mr. Marshall and Mr. Marsh, and finally by yourself except that your statement was that the \$150.00 was paid to the hotel by the home office. Mr. Belling also mentioned a Mr. Brown whom you stated made this deal, but was no longer with the company.

“Mr. Bryant told me that the rental for the first year had been paid to the hotel, but very definitely [46] he told me the space on the board had not been sold, and that the first job in this territory should be the selling of those spaces. This understanding was certainly confirmed in my conversations in your office with yourself and Mr. Marshall. I will recall to your mind the statements Mr. Marshall made relative to the Lions Club's desire to take over the sponsorship of the Sir Francis Drake Board. There too I wish to state that when I called upon Mr. Hampton, president of the Lions Club, and made the statement to him that the club wished to sponsor the board, his immediate reply was that there was some mistake or misunderstanding, for he had emphatically stated they were not interested. I have succeeded in getting them mildly interested. Also I have been out with one of my salesmen on a few calls, and on one or two

(Testimony of Ralph H. Bergen.)

occasions someone mentioned that a year or two ago some one had tried to sell him this proposition. Another one said, 'Oh, yes, I have seen one of these boards in a Hollywood hotel a year or two ago!' I had been told that the only board installed in Los Angeles or vicinity was in the Alexandria, or if I have mistaken the name, in a hotel on South Main Street adjacent to the Rosslyn.

"Mr. Belling was also told that a board that was in your shop was being prepared for shipment to the El Cortez here, which, of course is a misstatement of the truth.

"Now, Mr. Talbott, you certainly must realize, that all this is very disturbing to me, and certainly is not conducive to the best of results. I have not [47] been accustomed in the past to working under such conditions, and I have no expectations of starting now to deal in misstatements of fact, in-direction and suspicion. I am sure that there is some logical explanation of all this and I have every confidence that you can clear it up for me and remove all these doubts. That is why I am writing to you directly and personally.

"Please give me the full and detailed story of this situation so that I may work with my eyes open.

"Sincerely yours,

"Ralph H. Bergen."

I received a reply as follows: (Government's Exhibit No. 30)

"We hired Mr. Burke to compile the data in

(Testimony of Ralph H. Bergen.)

conjunction with one of the Civic Organizations there and which the demonstrator was built and placed in the Sir Francis Drake.

"We regret very much that you have not had this information and we will hurry it along.

"We have no record of the sales that Mr. Burke made, with the exception that it does run in our memory that there was a Dr. Lerner Waldo, but if we had any other data as to the sales that he made, it would be with the data that we gave to Mr. Bryant to turn over to you. Undoubtedly Burke can give you this information if you are in touch with him."

"Referring to your letter of the 18th. You may rest assured that it is our desire to cooperate with you in every way possible. As far as the requirements that we have made on that territory. [48] We feel that on the basis of five systems is the very minimum when you consider that it takes in the major portion of California and should enable you to make a great many installations.

"We feel confident that it can be developed by you to one of the largest potential earning organizations in the country as you have undoubtedly a very good organization, and from what we understand, Mr. Malone is an extremely high type, capable sales executive and should have no difficulty in developing that territory.

"Mr. Belling did not give you the true situation, and as far as Mr. Burke, the arrangement that we had with him was quite different than the poten-

(Testimony of Ralph H. Bergen.)

tialities that you have. Mr. Burke felt that we should require at least \$7500 for that particular area alone.

“We are confident that Mr. Malone could handle the disposing of that part of your territory very successfully and without any difficulty, and undoubtedly a very good organization, and from what we understand, Mr. Malone is an extremely high type, capable sales executive and should have no difficulty in developing that territory.

“Mr. Belling did not give you the true situation, and as far as Mr. Burke, the arrangement that we had with him was quite different than the potentialities that you have. Mr. Burke felt that we should require at least \$7500 for that particular area alone.

“We are confident that Mr. Malone could handle the disposing of that part of your territory very successfully and without any difficulty, and undoubtedly arrange for the development of the Bay territory on [49] the basis of the advance lease rentals on three systems which would be entirely reasonable and quite equitable inasmuch as you would or could include it in San Jose.”

I received another letter from Mr. Talbott, dated on or about December 9, 1940 (Government's Exhibit 31, p. 254 Tr.) reading:

“We wish to acknowledge receipt of your favor of the 7th, in reference to a Mr. Belling calling upon you, and apparently this man either deliber-



(Testimony of Ralph H. Bergen.)

ately misunderstood, or is trying to raise some sort of misunderstanding, as there most certainly was no statement made either by Mr. Marsh, Marshall or myself, relative to the installation at San Francisco, with the exception to state that it was in. As far as it being sold, etc., there was never any discussion about it at all."

"As we advised you a few years ago, we had decided to start in there, and about that time the hotel strike started and we withdrew and there have been no operations in there since that time."

"Certainly Mr. Billings was not told that an installation was being prepared for shipment to the El Cortez Hotel, for as far as we know, there have been no sales made on the El Cortez Hotel.

"What Mr. Billings was shown was a demonstrator that Mr. Bryant desired to carry with him, which is an exact replica of the Sir Francis Drake Hotel."

I was offered a re-purchase agreement, Government's Exhibit 33, as follows: [50]

"Repurchase Agreement.

"This Agreement, entered into this 31st day of January, 1941, by and between Direct-U-Systems of Los Angeles, California, hereinafter referred to as the party of the first party; and Ralph H. Bergen of San Francisco, California, hereinafter designated as the party of the second part,

"Whereas, the parties above entered into an agreement on the 8th day of November, 1940 and also on the 12th day of November, 1940 whereby

(Testimony of Ralph H. Bergen.)

the party of the second part did agree to lease and did lease five (5) Electric Directory Systems from the party of the first party, and also ten (10) Animators and did pay as advance lease rental the sum of \$300 and Thirty-seven hundred fifth (\$3750) dollars, respectively,

“The party of the second part has not taken delivery of the systems as provided in the above designated agreement, and the party of the second part does find himself as unable to fulfill his portion of the above designated contract.

“The party of the first part desires to have the territory as provided for in the above contract, developed whereby it can collect the royalties as provided under the agreement.

“Now, Therefore, for and in consideration of \$1.00 receipt of which is hereby acknowledged, and the premises and the mutual promises of the parties and the consideration passing and to pass from each other to other, it is agreed as follows:

“1. The party of the second part hereby agrees [51] to the complete cancellation of the agreement and does renounce and relinquish any and all interests or claims in the agreement as entered into by the parties under the dates of November 8, 1940 and November 12th, 1940.

“2. The party of the second part agrees that it shall pay or cause to be paid to the party of the second part, 25% of all the monies it receives from any source either as lease rentals or royalties

(Testimony of Ralph H. Bergen.)

from the territory designated in the agreement after sales expense and cabinet costs have been deducted, until the parties of the second part have received the total sum of \$4050.00. .

“3. The added consideration for the agreement and promise of the party of the first part to pay to the party of the second part the monies as outlined in the above paragraph is based on the agreement of party of the second part to assist and cooperate with the party of the first part in developing and/or transferring of any rights in the territory as outlined in the original agreement.

“4. Party of the first part hereby agrees to devote its best effort to place the territory covered by the agreement on a paying and profitable basis without unnecessary delay.

“5. Party of the second part agrees to deliver the sales equipment loaned to party of the second part which is the property of the party of the first part on demand. [52]

“It is mutually understood and agreed that this equipment, executed in duplicate, supersedes any and all previous agreements and contains the full and complete understanding between the parties hereto.”

And as appears on page 260, I did not sign this agreement.

I sent the letter of which you show me a copy dated December 13, 1940. (Government's Exhibit 37.)

(Testimony of Ralph H. Bergen.)

GOVERNMENT'S EXHIBIT No. 37

December 13, 1940

Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbot:

This acknowledges receipt of your letter of the 12th and the copy of the contract with the Hotel Oakland. I propose to start work in Oakland just as soon as I can after the first of the year. I want to get the sale of the Sir Francis Drake well started first. I expect by the first of the year to have at least four good salesmen, so that as soon as the Drake board is really going I can shift one or two of the men to Oakland.

In your previous experience have you found it necessary to accept some contracts on a monthly payment basis with a non-revocable annual contract? We are running into that here. We have established the price on the Sir Francis Drake board at \$120 per year, and plan at present to establish that same price on the St. Francis and Palace. We have sold one space on the Sir Francis Drake board to a well established, large, and old Beauty Salon, but could only get it on the basis of \$10 monthly payments. We have also had two other concerns turn us down on the Sir Francis Drake but express willingness to sign one for the Palace and one for the St. Francis. Both are highly reputable concerns of long standing

(Testimony of Ralph H. Bergen.)

so we accepted their contracts without any cash payment subject to our ability to close with those hotels. But here again they both insisted on monthly payments.

There is a problem I wish to discuss with you concerning the Sir Francis Drake board. As the map now appears on that board about 60% of it is south of Market Street in the wholesale, industrial, and shipping section of the City, where there is scarcely a spot that is of any interest to the hotel guests. On the other hand all the major hotels, all of the retail shopping district, all entertainment and night spots, and business and professional men are north of Market Street, which occupies only about 40% of the map as now shown. Therefore, I think that for the final installation in the Sir Francis Drake a new map should be installed. Incidentally since all the major hotels are within a few blocks of each other in this Market Street and North of Market district, the chances are that the same map will serve for most, if not all, of them. I am enclosing two maps of the City showing in one case approximately the area now shown, and in the other my recommendation of the area that should be shown.

In the meantime the one space we have sold on the Sir Francis Drake was on the basis of \$10 down, \$10 January 1st and monthly thereafter. Therefore, I would like if possible to place his name on the board before January 1st, even tho



(Testimony of Ralph H. Bergen.)

we may change the whole map eventually. This party has not only taken space on the Drake but has asked for an option on the Palace and St. Francis. We hope to contract with both those hotels next week, in which case this party will sign additional contracts, and at the same time all information will be secured so you could make up the cards for me to go on the present board.

Has it been customary to make any concession in price to a client if he contracts at one time for space on several boards. We have thought that if necessary to secure such contracts, it would be good business to make a price of \$25 per month for three boards instead of a straight price of \$10 per month per board. Would such an arrangement raise any complications? Would you consider it good policy.

The cards on the Sir Francis Drake animator have become very badly marred due to a bad roller that was on that machine while Mr. Bryant was here. I am enclosing a couple scraps of one card to show the extent of the disfigureation. It is a bad demonstration and many very desirable clients are looking at that board. The Managers of both the St. Francis and Palace are going to look at it. therefore, I think that we should remove all of those cards and replace them with a few new ones. I am enclosing a sheet of suggested copy for eight new cards; will you kindly have them made up for me and send them as quickly as possible. The

(Testimony of Ralph H. Bergen.)

present condition of that animator is really very bad.

Sincerely yours,

R. H. BERGEN

RHB/s

Enc.

[Endorsed]: Filed 9/23/42.

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In this letter I made suggestions as to improvements that could be made upon the map but the map was never changed. In the next letter

GOVERNMENT'S EXHIBIT No. 39

R. H. Bergen

YUkon 0820

Manager

Direct-U-Systems of Northern California

Franchise Owner

Direct-U-Systems

105 Montgomery St.

San Francisco, California

February 13, 1941

Mr. C. W. Talbott

7225 Beverly Blvd.

Los Angeles, California

Dear Mr. Talbott:

I have been at the Sir Francis Drake today and find that Mr. Starkey was compelled to force the door to the lower advertising space for use by the hotel. The lock is completely broken, and Mr.

(Testimony of Ralph H. Bergen.)

Starkey requests that I ask you to send him at once a new lock and keys for that door.

I am sure, Mr. Talbott, that neither you nor I wish to see anything cause any injury to the business in this territory. We both of us hope and expect to reach some agreement that is mutually satisfactory.

Now the condition of the animator and display cards is certainly giving this business a black eye, and I entreat you to do something, and do it promptly, to eliminate the difficulty. Please get it fixed up so that it does not hurt the possibilities of a resale of this territory.

Yours truly,

R. H. BERGEN

RHB/s

(Cut) Our Direct-U-Systems direct buying dollars  
to you and tell your message

[Endorsed]: Filed 9/23/42.

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(Government's Exhibit 39) which you show me I wrote to Mr. Talbott calling attention to defects in the machine at the Sir Francis Drake, and again in the letter under date of January 10, 1941 made further complaint. I wrote Mr. Talbott again on January 27, 1941 (Government's No. 41), containing in part the following "When I first undertook the Direct-U-Systems franchise I talked with you in Los Angeles, I told you that I had

(Testimony of Ralph H. Bergen.)

been inactive for a year and a half following a long period of ill health, but that I felt that my health was again regained. However, I find the strain of this business, and the worries attendant upon it have played hob with me. I have been sick a good deal of the time since Christmas and, consequently, if I could get out entirely I would be glad to do so, even at some sacrifice of the original capital I put into it. What kind of proposition would you make to take it off my hands?" Signed "Mr. Bergen." (Tr. p. 277.)

I never made any money out of this enterprise and I never got the return of any part of my \$4,050.

### Cross Examination

By Mr. Stoddard:

I signed the agreement which you showed me dated November 6, 1940.

(This agreement was received in evidence as Defendant's Exhibit EE. Also two other agreements marked Exhibit FF and Exhibit GG.) [53]

### DEFENDANT'S EXHIBIT EE

#### THIS AGREEMENT

made and entered into this 6th day of November 1940, by and between Direct-U-Systems, a California corporation with principal place of business at Los Angeles, California, herein termed "Lessor, and Ralph H. Bergen, with permanent address at 614 McLaughlin Ave., Richmond, Calif., herein termed "Lessee",

(Testimony of Ralph H. Bergen.)

Witnesseth: That in consideration of these premises and the mutual promises of the parties, and of the consideration passing and to pass from each to the other, it is hereby agreed as follows:

1. Lessor grants to Lessee exclusive license to use, operate and maintain Lessor's so-called "Direct-U-Systems" for a period of three years from date, in the following-described territory, being part of the State of California, U.S.A., to wit:

San Francisco and San Mateo Counties, California. (Inclusive)

2. It is agreed that the total number of Direct-U-Systems which Lessee may reasonably expect with due diligence to install and maintain within said territory is Three; but Lessor shall supply to Lessee all Direct-U-Systems Lessee may lease to install within the described territory hereunder; and if Lessee shall so lease and install Three Direct-U-Systems within the effective period hereof, then Lessee shall have the option to extend this Agreement in all its terms for an additional period of Fifty years.

3. Lessor shall lease to Lessee, and Lessee shall take from Lessor, as personal property with title remaining in Lessor, certain Direct-U-Systems (with supplementary material) under the following terms:

(a) For each Direct-U-System: a lease rental of seven hundred fifty dollars (\$750.00) covering the first year after delivery by Lessor, and a lease rental of two hundred fifty dollars (\$250.00) for each year thereafter.



(Testimony of Ralph H. Bergen.)

(b) In addition to lease rentals, Lessee shall pay to Lessor a royalty of fifteen percentum (15%) of all moneys received by Lessee for use of space on Direct-U-Systems, and thereto shall transmit promptly to Lessor a copy of each agreement made concerning space on each Direct-U-System leased hereunder.

(c) All said lease rentals, except as specified below, shall be due and payable thirty days after delivery by Lessor of the Direct-U-Systems concerned. All said royalties shall be due and payable upon receipt by Lessee of payment for space rented.

4. Lessee hereby at this time leases from Lessor three (3) Direct-U-Systems, and Lessee hereby remits to Lessor the amount of Twenty two hundred fifty dollars (\$2250.00) as payment complete of first year's lease rental thereon.

5. Lessor shall deliver Direct-U-Systems to Lessee at any City railway depot designated by Lessee, promptly after receiving full specifications and shipping instructions from Lessee. On all Direct-U-Systems installed hereunder, Lessor shall maintain, replace or repair as made necessary by damage or mechanical failure.

6. Lessee shall have full use and advantage of all leases of locations for Direct-U-Systems secured in Lessee's territory and shall pay the rentals on such locations as he utilizes. Lessor and its agents shall cooperate with and assist Lessee in Lessee's

(Testimony of Ralph H. Bergen.)

operations hereunder, including assistance in training Lessee's salesmen, and shall give and/or loan Lessee on request, sales promotion material as per list attached hereto.

7. Lessee shall operate hereunder solely as a Lessee and independent contractor, and nothing shall be done or required hereunder which might constitute Lessee an agent or partner of Lessor, or by which Lessee may create any liability for Lessor not specified herein. This Agreement contains the full understanding between the parties, and no agent of Lessor is authorized to modify it, or to add other than reasonable items per Lessor's instructions in spaces provided therefor. This agreement supersedes and cancels all previous agreements between the parties.

In Witness Whereof the parties have affixed their signatures upon the day first written herein.

Lessor: DIRECT-U-SYSTEMS

By ROLLAND R. BRYANT

Lessee RALPH H. BERGEN

Lessee

#### ANTICIPATED INCOME AND EXPENSE

##### First Year

Breakdown on anticipated Income (gross and net) for the First Year, based on 20 Spaces Rented at the rate of \$156.00 per year for each space.

Income: 20 rented spaces at \$156.00 per year .....	\$3,120.00
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Expenditures by Franchise Operator:

Lease rental to Lessor.....	\$ 750.00
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Location lease (Max. 10%) Average	
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\$100 yearly .....	312.00
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## (Testimony of Ralph H. Bergen.)

Selling Expense—should not exceed 20%	624.00
Sales Manager (if desired) 5%.....	156.00
Royalty to Lessor: 15%.....	468.00
	<hr/>
Estimated total expenditures.....	\$2,310.00
	<hr/>
Net Profit to Franchise Operator, each installation .....	810.00
	<hr/> <hr/>
Lessee acting as his own Sales Man- ager earning increase.....	156.00
	<hr/>
Net Profit when Sales Manager is eliminated .....	\$ 966.00
Second—And Each Following—Year	
Income: as above.....	\$3,120.00
Expenditures	
Lease rental to Lessor (Reduced from \$750.00) .....	\$ 250.00
Location Lease (Maximum: 10%).....	312.00
Selling Expense—should not exceed 20% .....	624.00
Sales Manager (if desired) 5%.....	156.00
Royalty to Lessor: 15%.....	468.00
	<hr/>
Estimated total expenditures.....	\$1,810.00
	<hr/>
Net Profit to Franchise Operator, each installation .....	\$1,310.00
	<hr/> <hr/>
Lessee acting as his own Sales Manager earnings increase .....	156.00
	<hr/>
Net Profit when Sales Manager is eliminated .....	\$1,466.00
*****	
Eight installations First Year.....	\$ 7,728.00
Eight installations Second Year and Each Suc- ceeding Year .....	\$11,728.00

(Testimony of Ralph H. Bergen.)

### EQUIPMENT

Direct-U-Systems will loan to Franchise Operator the following equipment:

1. 3 Electrical Demonstration Cabinets
  2. 3 Illustrated Presentation Books, (Zipper Cases) (Complete)
  3. 6 Selling Suggestion Circulars (D-15)  
Furnished Free: Up to—
  4. 200 sets Advertisers' Service Agreements Imprinted (quadruplicate) (D-9)
  5. Hotel Lease Forms (Triplicate) (D-6)
  6. Hotel Room Reminder Cards (as needed) (shipped with each installation) (D-10)
  7. 200 Advertisers' Map Location Charts (D-5)
  8. 200 Letterheads—Imprinted with name of Franchise Operator (D-11)
  9. 200 Envelopes—Imprinted with name of Franchise Operator (D-12)
  10. 200—Announcement or preparatory letters and envelopes multigraphed on above, filled in and addressed with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached, shipped to Franchise Operator for his signature and mailing prior to Salesman's contact. (D-13)
  11. 250 Folders—To include in the advance letters. (D-14)
  12. 500 Business Cards
- D-18

[Endorsed]: Filed 9/23/42.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT FF

THIS AGREEMENT

made and entered into this 12th day of November 1940, by and between Direct-U-Systems, a California corporation with principal place of business at Los Angeles, California, herein termed "Lessor, and Ralph H. Bergen, with permanent address at 614 Mc Laughlin Ave., Richmond, Calif., herein termed "Lessee",

Witnesseth: That in consideration of these premises and the mutual promises of the parties, and of the consideration passing and to pass from each to the other, it is hereby agreed as follows:

1. Lessor grants to Lessee exclusive license to use, operate and maintain Lessor's so-called "Direct-U-Systems" for a period of three years from date, in the following-described territory, being part of the State of California, U.S.A., to wit:

All of that part of the state of California North of a line drawn West to East twenty five, (25) miles South of Santa Maria, California. And to include Bakersfield, California.

2. It is agreed that the total number of Direct-U-Systems which Lessee may reasonably expect with due diligence to install and maintain within said territory is Five (5); but Lessor shall supply to Lessee all Direct-U-Systems Lessee may lease to install within the described territory hereunder; and if Lessee shall so lease and install Five (5) Direct-



(Testimony of Ralph H. Bergen.)

U-Systems within the effective period hereof, then Lessee shall have the option to extend this Agreement in all its terms for an additional period of Fifty years.

3. Lessor shall lease to Lessee, and Lessee shall take from Lessor, as personal property with title remaining in Lessor, certain Direct-U-Systems (with supplementary material) under the following terms:

(a) For each Direct-U-System: a lease rental of seven hundred fifty dollars (\$750.00) covering the first year after delivery by Lessor, and a lease rental of two hundred fifty dollars (\$250.00) for each year thereafter.

(b) In addition to lease rentals, Lessee shall pay to Lessor a royalty of fifteen percentum (15%) of all moneys received by Lessee for use of space on Direct-U-Systems, and thereto shall transmit promptly to Lessor a copy of each agreement made concerning space on each Direct-U-System leased hereunder.

(c) All said lease rentals, except as specified below, shall be due and payable thirty days after delivery by Lessor of the Direct-U-Systems concerned. All said royalties shall be due and payable upon receipt by Lessee of payment for space rented.

4. Lessee hereby at this time leases from Lessor five (5) Direct-U-Systems, and Lessee hereby remits to Lessor the amount of Thirty seven hundred fifty dollars (\$3750.00) as payment complete of first year's lease rental thereon.

(Testimony of Ralph H. Bergen.)

5. Lessor shall deliver Direct-U-Systems to Lessee at any City railway depot designated by Lessee, promptly after receiving full specifications and shipping instructions from Lessee. On all Direct-U-Systems installed hereunder, Lessor shall maintain, replace or repair as made necessary by damage or mechanical failure.

6. Lessee shall have full use and advantage of all leases of locations for Direct-U-Systems secured in Lessee's territory and shall pay the rentals on such locations as he utilizes. Lessor and its agents shall cooperate with and assist Lessee in Lessee's operations hereunder, including assistance in training Lessee's salesmen, and shall give and/or loan Lessee on request, sales promotion material as per list attached hereto.

7. Lessee shall operate hereunder solely as a Lessee and independent contractor, and nothing shall be done or required hereunder which might constitute Lessee an agent or partner of Lessor, or by which Lessee may create any liability for Lessor not specified herein. This Agreement contains the full understanding between the parties, and no agent of Lessor is authorized to modify it, or to add other than reasonable items per Lessor's instructions in spaces provided therefor. This agreement supersedes and cancels all previous agreements between the parties.

(Testimony of Ralph H. Bergen.)

In Witness Whereof the parties have affixed their signatures upon the day first written herein.

Lessor: DIRECT-U-SYSTEMS

By ROLLAND R. BRYANT

Lessee RALPH H. BERGEN

Lessee

ANTICIPATED INCOME AND EXPENSE

First Year

Breakdown on anticipated Income (gross and net) for the First Year, based on 20 Spaces Rented at the rate of \$156.00 per year for each space.

Income: 20 rented spaces at \$156.00 per year .....	\$3,120.00
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Expenditures by Franchise Operator:

Lease rental to Lessor.....	\$ 750.00
Location lease (Max. 10%) Average \$100 yearly .....	312.00
Selling Expense—should not exceed 20% .....	624.00
Sales Manager (if desired) 5%.....	156.00
Royalty to Lessor: 15%.....	468.00

Estimated total expenditures.....	\$2,310.00
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Net Profit to Franchise Operator, each installation .....	810.00
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Lessee acting as his own Sales Manager earning increase.....	156.00
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Net Profit when Sales Manager is eliminated .....	\$ 966.00
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Second—And Each Following—Year

Income: as above.....	\$3,120.00
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Expenditures

Lease rental to Lessor (Reduced from \$750.00) .....	\$ 250.00
Location Lease (Maximum: 10%).....	312.00

(Testimony of Ralph H. Bergen.)

Selling Expense—should not exceed	
20% .....	624.00
Sales Manager (if desired) 5%.....	156.00
Royalty to Lessor: 15%.....	468.00
	<hr/>
Estimated total expenditures.....	\$1,810.00
	<hr/>
Net Profit to Franchise Operator, each	
installation .....	\$1,310.00
	<hr/>
Lessee acting as his own Sales Manager	
earnings increase .....	156.00
	<hr/>
Net Profit when Sales Manager is	
eliminated .....	\$1,466.00
	*****
Eight installations First Year.....	\$ 7,728.00
Eight installations Second Year and Each Succeeding Year .....	\$11,728.00
D-17	

## EQUIPMENT

Direct-U-Systems will loan to Franchise Operator the following equipment:

1. 3 Electrical Demonstration Cabinets
2. 3 Illustrated Presentation Books, (Zipper Cases) (Complete)
3. 6 Selling Suggestion Circulars (D-15)  
Furnished Free: Up to—
4. 200 sets Advertisers' Service Agreements Imprinted (quadruplicate) (D-9)
5. Hotel Lease Forms (Triplicate) (D-6)
6. Hotel Room Reminder Cards (as needed) (shipped with each installation) (D-10)
7. 200 Advertisers' Map Location Charts (D-5)

(Testimony of Ralph H. Bergen.)

8. 200 Letterheads—Imprinted with name of Franchise Operator (D-11)

9. 200 Envelopes—Imprinted with name of Franchise Operator (D-12)

10. 200—Announcement or preparatory letters and envelopes multigraphed on above, filled in and addressed with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached, shipped to Franchise Operator for his signature and mailing prior to Salesman's contact. (D-13)

11. 250 Folders—To include in the advance letters. (D-14)

12. 500 Business Cards.

D-18

[Endorsed]: Filed 9/23/42.

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## DEFENDANT'S EXHIBIT GG

### THIS AGREEMENT

made and entered into this 8th day of November, 1940, by and between Direct-U-Systems, a California corporation with principal place of business at Los Angeles, California, herein termed "Lessor", and Ralph H. Bergen with permanent address at 614 McLaughlin Avenue, Richmond, California, herein termed "Lessee",

Witnesseth: That in consideration of these premises and the mutual promises of the parties, and of



(Testimony of Ralph H. Bergen.)

the consideration passing and to pass from each to the other, it is hereby agreed as follows:

1. Lessor grants to Lessee exclusive license to use, operate and maintain Lessor's so-called "Direct-U-Displays" for a period of three years from date, in the following described territory, being part of the State of California, U. S. A., to-wit:

San Francisco, San Mateo, Alameda, and Contra Costa Counties.

2. It is agreed that the total number of Direct-U-Displays which Lessee may reasonably expect with due diligence to install and maintain within said territory is Ten; but Lessor shall supply to Lessee all Direct-U-Displays Lessee may lease to install within the described territory hereunder; and if Lessee shall so lease and install Ten Direct-U-Displays within the effective period hereof, then Lessee shall have the option to extend this Agreement in all its terms for an additional period of Ten years.

3. Lessor shall lease to Lessee, and Lessee shall take from Lessor, as personal property with title remaining in Lessor, certain Direct-U-Displays (with supplementary material) under the following terms:

(a) For each Direct-U-Display: a lease rental of Three hundred dollars (\$300.00) covering the first year after delivery by Lessor, and a lease rental of two hundred dollars (\$200.00) for the second year, and one hundred dollars (\$100.00) for the third year and each succeeding year.

(Testimony of Ralph H. Bergen.)

4. Lessee hereby at this time leases from Lessor Five (5) Direct-U-Displays, and Lessee hereby remits to Lessor the amount of Three Hundred dollars (\$300.00) as payment complete of first year's lease rental on the first display.

5. Lessor shall deliver Direct-U-Displays to Lessee at any City railway depot designated by Lessee, promptly after receiving full specifications and shipping instructions from Lessee.

6. Lessee shall have full use and advantage of all leases of locations for Direct-U-Displays secured in Lessee's territory and shall pay the rentals on such locations as he utilizes. Lessor and its agents shall cooperate with and assist Lessee in Lessee's operations hereunder, including assistance in training Lessee's salesmen, and shall give and/or loan Lessee on request, sales promotion material as per list attached hereto.

7. Lessee shall operate hereunder solely as a Lessee and independent contractor, and nothing shall be done or required hereunder which might constitute Lessee an agent or partner of Lessor, or by which Lessee may create any liability for Lessor not specified herein. This Agreement contains the full understanding between the parties, and no agent of Lessor is authorized to modify it, or to add other than reasonable items per Lessor's instructions, in spaces provided therefor. This Agreement supersedes and cancels all previous agreements between the parties.

(Testimony of Ralph H. Bergen.)

In Witness Whereof the parties have affixed their signatures upon the day first written herein.

Lessor: DIRECT-U-SYSTEMS

By ROLLAND R. BRYANT

Lessee RALPH H. BERGEN

[Endorsed]: Filed 9/23/42.

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These latter agreements extended the territory which I was to have but I did not intend after I started on the business to sell it to anybody else. I never tried to develop any territory except the San Francisco territory. It is true (P. 284) that I sued the Direct-U-Systems for \$31,000 and that suit is now pending. It is true that I signed a statement that the Direct-U-Systems had done everything they agreed to do. I signed Exhibits JJ, KK, LL, MM, NN, and OO.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT JJ

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

Dec. 24, 1940.

Mr. C. W. Talbott, Pres.,  
Direct-U-Systems,  
7225 Beverly Blvd.,  
Los Angeles, Calif.

Dear Mr. Talbott:

Thank you for your letter of the 23rd. I received the listing cards but have not received the business cards nor the animator cards. They will probably be along in a day or *or* two.

With reference to the map, I have already sent you my recommendation. I appreciate that it would be well to show the Embarcadero, if possible. You will note I have not cut it all off. In fact, my major criticism of the map that is now on the Sir Francis Drake board is that it does not show Fisherman's Wharf, and the North Beach section. My suggested map does show that and a portion of the Embarcadero adjacent to it. With your greater experience in preparing the maps, if you see how we could show the Embarcadero around to the Ferry

(Testimony of Ralph H. Bergen.)

Building, and still be able to show a strip of the ocean beach section, that would be fine. Perhaps that could be done in any one of three ways, namely:

(1) Reduce the width of the ocean beach strip I suggested.

(2) Reduce the space I allowed between the two sections of the map.

(3) Draw the whole thing to slightly smaller scale.

You have my ideas; I want to show mainly the north of Market Street district inclusive of Fisherman's Wharf, eliminating most of the South of Market, including only enough of it to be able to show directional arrows to the bay bridge approaches, peninsula highways, etc. I want to show a narrow strip of the ocean beach in order to locate such spots as the Cliff House, Sutro Baths, Robert's at the Beach, etc.; and finally, I want to show as much of the Embarcadero from Fisherman's Wharf to the Ferry Building, as I can consistent with the first two requirements. Please do your best to accomplish these results as far as possible. I leave it in your hands.

I received a Christmas card from Mr. Bryant mailed in Los Angeles. I did not know where he was, but if he is still there, will you please extend to him and Mrs. Bryant the best wishes of Mrs. Bergen and myself for the Christmas season, and tell him I certainly hope he gets back up this way before leaving the coast. I would like to talk to him.



(Testimony of Ralph H. Bergen.)

Thank you for the efforts of your organization concerning T.W.A. and others.

Yes, I am fully expecting to make real progress immediately after the holidays. I feel that the reception we have had to our solicitations has been all that could be expected at this time of year and that we have a nice backlog of business that will crack soon.

I trust you had a very Merry Christmas, and that the New Year will be good to you.

Very truly yours,

R. H. BERGEN.

Ralph H. Bergen.

DIRECT-U-SYSTEMS.

RHB/S

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT KK

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

December 20, 1940.

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

A day or two ago I asked you to make up for me eight 8 by 10 cards to replace the unsightly ones that are now in the animator at the Sir Francis Drake. I would appreciate it if you would also have two more made up to advertise my own business, worded as below.

Direct-U-Systems  
of Northern California

R. H. Bergen  
Manager

Telephone  
Yukon 0820

This electric directory  
is operated by this Hotel  
cooperating with  
Direct-U-Systems  
of Northern California  
for the convenience of  
its guests.

(Testimony of Ralph H. Bergen.)

Early in the month I requested that the Los Angeles office follow up three prospects for us who recommended that we see their Los Angeles connections, namely, Earl C. Anthony, T.W.A. and Hertz Drive-Ur-Self. We have not as yet received any final communication concerning them and we are wondering if it would be wise to contact them again.

Yesterday I replied to your letter concerning a new map for the Sir Francis Drake board in which I suggested showing a portion of the Beach Section of San Francisco. I am enclosing a map in which I have marked out those sections which I would like to have shown. With your greater experience in drawing these maps you may have some suggestions for improvement which I would be very glad to hear.

With best wishes, I am

Sincerely yours,

R. H. Bergen.

RHB/s

A Merry Christmas to you, Mr. Marshall, and all the organization.—R. H. B.

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT LL

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

December 18, 1940.

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

I am just in receipt of your letter of December 17th, for which I am very thankful. I am glad to note that you are agreeable to changing the map on the Sir Francis Drake board. I would suggest, however, that you do not start work on it immediately. I believe that the same map can be used for all of the hotels in San Francisco, and if so, we want to be very sure it is right.

It may be desirable to reduce somewhat the area that I showed as desirable on the map I sent to you by cutting off the Embarcadero, and then showing on the opposite side of the map on a reduced scale a narrow strip of the San Francisco Beach area, as there are a number of spots of interest out that way. If you will advise me if that is possible

(Testimony of Ralph H. Bergen.)

I will then, ~~perhaps~~ as carefully as possible, show the precise areas that I wish to have shown.

With kindest personal regards, I am

Sincerely yours,

R. H. BERGEN.

RHB/s

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.

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DEFENDANT'S EXHIBIT MM

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

December 10, 1940.

Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbot:

I am just in receipt of your letter of the 9th answering mine of the 7th, and I want to thank you



(Testimony of Ralph H. Bergen.)

very much for it. Your letter sets at rest all the disturbance of mind caused by Mr. Belling.

I am also glad to note your comments about the contacts made with T.W.A. and Earl C. Anthony. We shall wait anxiously for further word on them. There is one more such request that has been made of us. That is by the Hertz Driv Ur Self. Will you please have some one contact them with reference to placing their name on the Sir Francis Drake board.

We have at last broken the ice and sold one space on the Drake board with prospect of the same party taking space on two other boards, when and if.

Thank you again for your good letter.

With kindest regards,

R. H. BERGEN.

RHB/s.

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT NN

R. H. Bergen

YUkon 0820

Manager

Direct-U-Systems of Northern California

Franchise Owner

Direct-U-Systems

105 Montgomery St.

San Francisco, California

November 27, 1940.

Direct-U-Systems

7225 Beverly Blvd.

Los Angeles, California

Attention Mr. Marshall

Dear Mr. Marshall:

Mr. Waldear has this date called on Earl C. Anthony, Packard dealers for this city, and found their reaction to be most favorable but they are not authorized to make any commitments without the approval of the Los Angeles office.

Will you please have one of our representatives call on Mr. Colin Reynolds of the Earl C. Anthony Company in Los Angeles at an early date to secure the necessary approval.

Yours very truly,

R. H. BERGEN.

RHB/s

(Cut)

Our Direct-U-Systems Direct Buying Dollars to

You and Tell Your Message

[Endorsed]: Filed 9/23/42.

(Testimony of Ralph H. Bergen.)

DEFENDANT'S EXHIBIT OO

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

November 30, 1940.

Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Attention: Mr. Marshall

Dear Mr. Marshall:

Thank you very much for your letter of November 29th.

I note that you have written to the managements of the St. Francis and Palace Hotels. You stated copies of those letters would be included with yours of the 29th, but they were not. Will you kindly forward to me copies of those letters?

Yesterday I received the sheets of statistics on the Sir Francis Drake Hotel. When I telephoned to your office earlier this week, I did so and reversed the charges because I felt that an error had been made for the El Cortez Hotel. Since receiving these figures for the Sir Francis Drake, I still can not believe either set of figures is correct. Perhaps

(Testimony of Ralph H. Bergen.)

I do not understand how they are compiled and if so an explanation would assist me. My reason for believing that they are in error is this: the Sir Francis Drake Hotel has 600 rooms and the figures show 448,000 person days for that hotel, 448,000 divided by 600 and that divided by 365, gives 2.05 persons per room per day, 365 days per year 100% occupancy. The El Cortez Hotel has 325 rooms. The figures for this hotel show 260,062 person days, this figure divided by 325 and again by 365 gives 2.2 persons per room, 365 days per year, 100% occupancy. These figures are obviously impossible. So again I would say if I misunderstood these figures, please correct me.

I note with satisfaction that you are sending to me an additional supply of the small photographs to be used on prospect letters. Unfortunately I found after Mr. Bryant had left, the list which he made up from the Classified telephone directory included many names which are of no value. Some of them are 6th and 7th floor small shops and others are too far away from the Sir Francis Drake to be of any value.

I note you commented in regard to the method of handling the Sir Francis Drake Board. That is all right if the electrician at that hotel is competent to make the necessary installations. We have contacted him and find that he is a man who stutters very badly and quite slow mentally and he also claims that the company owes him \$5 for replacement of lights which he has already done. Of course

(Testimony of Ralph H. Bergen.)

I know nothing of the arrangements that have been made with this man and consequently I am not in a position to even discuss it with this man.

You have misunderstood my question in regard to liability. My question was this; if a guest of the hotel should make use of the board and be directed, we will say for illustration, to a beauty parlor and at that beauty parlor this guest had her hair ruined by accident, could that guest bring suit for damages against either the Franchise Owner or the Company?

We will follow your suggestion in regard to the advertising agency for Dean Witter Monday morning.

Our experience in our first week of solicitation has been mixed. Most every high-grade place of business that we have contacted has given us attention and they have been interested. Our letter has served its purpose well and has not been thrown in the waste basket. However, we have not as yet secured a single contract. We find for one thing that most business houses state positively that they cannot do anything until after the 1st of the year. They are either too busy with the Christmas season approaching or their budgets for this year have been used up.

I am also finding that one of the salesmen whom Mr. Bryant and I selected is proving to be "no good", he has had wide contact in the past in advertising work with all of the "night spots" and



(Testimony of Ralph H. Bergen.)

eating places in San Francisco. I am afraid that this contact has been too close, at any rate, he has not reported in here this week, and while I have been able to get him on the telephone a couple of times, I have received no satisfaction from him. I refer to Mr. Burdge, I think I am going to have to get rid of him.

We have a number of prospects who have asked us to call back next week and we hope for more positive results by a week from now.

With kindest personal regards, I am

Yours very truly,

R. H. BERGEN.

RHB/s

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.

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The Court:

“Do you wish to read any portion of these to the jury?”

Mr. Stoddard:

“Not at this time.”

(P. 292)

The only two defendants I had any dealings with were Mr. Marshall and Mr. Talbott.

## H. R. BROWNE

called as a witness on behalf of the Government testified as follows:

I reside in Oakland, California and was living there in July, 1938, and there I met the defendant Martinus. He explained the Direct-U-Systems cabinet to me. (P. 297) He referred to installations in different hotels. (p. 298). And said if I had ten advertising boards I ought to clear \$7,000 here. The territory around San Francisco was discussed as my territory. I gave them \$1500 all of which in 1939 I got back. When I got my cabinet for the Plaza Hotel in San Francisco it was top heavy and there were other mechanical imperfections and I did not try to get any other cabinets after that. (p. 303). The defendant Martinus told me the equipment would function properly. He told me he thought everything was satisfactory and he felt it would be a good investment. Although the Board I had was unsatisfactory (p. 309) I did not demand another board. Just demanded my money back and eventually got it. [54]

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## E. M. SCHUTT

called as a witness on behalf of the Government testified as follows:

I reside in Cleveland, Ohio, and after reading an ad appearing in the paper was contacted by a man named Morgan and offered a position of resident

(Testimony of E. M. Schutt.)

manager in a business with profits from \$6500 up and an investment of \$1500 fully secured. He had a demonstrator cabinet with him and he told me patents were pending and I gave him a certified check for \$1500. Although I discovered there had been a somewhat similar machine called the Robot Mat Company, Mr. Morgan and I learned of this company through the Better Business Bureau. (Tr. p. 316) I was told by Mr. Morgan that it was then out of business. I had an agreement (Government's Exhibit 44) part of which read:

“Lessor shall cooperate and assist lessee in securing five location leases; hire and train salesmen and render all additional assistance practicable.”

I went around with Mr. Morgan trying to get leases in various hotels but we didn't get any. He finally got one on the New Amsterdam Hotel but I told him that would not be of any value because it was a residential hotel. He got some leases but they were not of much value. (P. 321.) Prior to the time I gave Mr. Morgan the \$1500, he had told me that the company was thoroughly reliable and could meet all obligations and had been doing business for a long time. (Tr. p. 328.) Mr. Morgan said the company was thoroughly reliable and I believed the representations that he made. I did not sell any advertisements but I tried for only a week. I wrote a letter to the company (Exhibit 46) complaining about my difficulties. (p. 325)

(Testimony of E. M. Schutt.)

“You don’t seem to get the picture here at all. In the first place when we were discussing the possibility of my taking over this [55] franchise you painted the picture to both Mrs. Schutt and myself that this was something entirely new, that while possibly later on, a year or so, competition might enter the field, yet at the present time there was nothing like it on the market. If that would have been true then the proposition would have been a good one, because I would have been able to have gotten a foothold with this particular medium of advertising, but instead of this being so a foothold has already been established by this other company.

“You say that that is their worry, not mine, as the Direct-U-Systems will prosecute any infringements on the patents. I am afraid you haven’t visualized the setup here. Just supposing that the Direct-U-Systems are ready and willing to prosecute any infringements. That would take a long time going through the courts and in the meantime do you suppose any hotel or merchant is going to be involved in anything that is being tied up in litigation. Furthermore the present owner of the franchise for eastern Ohio with Robot Map Service Co. has on hand hotel leases with four or five of the downtown hotels. It doesn’t matter that the lease isn’t an exclusive one. The hotels will not enter into any other agreement while still being tied up with some other company. You found that to be true with Mr. Riley at the Allerton. I have since talked with Mr. Riley and he says that they would not do any-

(Testimony of E. M. Schutt.)

thing until released from the contract they are now holding and the man here who holds the lease from [56] the Allerton absolutely refuses to give up this lease. In other words, regardless of who really holds the patents on the board and who is right, we are definitely tied up as far as getting worth while hotel leases.

“After the salesman had been in my office and had told me about this other company and after you had arrived in Cleveland and I had asked you about it, you gave me the impression that there had been such a company but that they had gone out of business some time ago, at least a year or more ago. As a matter of fact I find that the man here signed up for his franchise last October just a month before I signed up and that the Allerton lease was as of November 1939 and not November 1938.

“For your information let me explain that the man who holds the other lease and his attorney did not get in touch with me in a belligerent manner at all. Better Business sent him up here to see me and he came to see what it was all about and how come. Every time I took up the matter with you it seemed to me that you were somewhat evasive and to this day I don't know the real setup. You tell me that Direct-U-Systems control all the patents and yet if this is so how is it that another company can be out on the road at this time selling the identical same thing?”

I received an answer. (Plaintiff's Exhibit 47)  
“We are at a loss to understand why you should let the Robot or any other competitor make you feel



(Testimony of E. M. Schutt.)

that you have no chance, for there is no question that our equipment is superior in many ways, and [57] we have advantages and features that none other have.

“Apparently the franchise operator for the Robot has made a complete failure and realizes that you are able to become real competition to him and do a job that he has apparently failed to make good on, and this is the reason that he has been attempting to discourage you.

“As we wired you and wrote you, if anyone interferes with your operations or attempts to embarrass you to the extent that it is detrimental to your operations, we feel that you would be within our rights to assure them that they had better be able to take care of a substantial damage suit, for this is most certainly what would be brought about.

“You have a lease on the New Amsterdam and we would suggest that you complete the selling on this cabinet first, before worrying about leases on other hotels, for as we have advised you, you will have no difficulty in getting all the leases that you want after you have shown the hotel men that you can and will put it over.

(Skipping) “As far as competition, we know that competition is the life of business and you most certainly should not let this get you down, as we are at the present time building an installation which goes into Washington. The franchise operator there ran into a competitive operation, with the natural

(Testimony of E. M. Schutt.)

result that after the competitor's salesmen viewed our equipment, they immediately made application to go to work for the Direct-U- [58] Systems' representatives, and very freely stated that our service offered more than they were able to give, and consequently they were interested in making this change.

(Skipping) Page 3. "You can readily appreciate that when they secure on such hotels as the Detroit Leland and the Fort Shelby Hotel, which have an unusually high standard among hotels, that the hotels in Cleveland will very rapidly fall into line. We would strongly suggest that you proceed with the New Amsterdam and by the time you have it completed, you will find that your trouble making competitor has died the death that usually occurs to men who are interested in creating trouble instead of proceeding with their work."

I wrote the following letter you show me under date of February 7, 1940 (Defendant's Exhibit 48) "Attention Mr. C. W. Talbott:

"Your letter of January 30th, and my letter of the same date crossed in the mails. I have been waiting each day expecting a reply to my letter, but up to the present time I have not received any.

"I was particularly anxious to receive from you a definite detailed report as to affiliations, if any, between Direct - U - Systems, National Directory Systems and Robot Map Service. Also whether or not Robot Map Service was still in existence, and if not, who had taken them over. Also how two com-

(Testimony of E. M. Schutt.)

panies from the same city could be operating practically the same type of board. [59]

“I am now making a formal request that you re-purchase from me my present franchise at fifteen hundred dollars. I contend that in the first place the matter was misrepresented to me in the presence of witnesses in stating that this board was absolutely a new thing in this part of the country, that there was not nor had there been before, anything like it. I contend further that your representative, Mr. Morgan, by not securing the five hotel leases as promised verbally in the presence of witnesses, including my attorney, and also specifying the same in my contract, broke the contract, and, therefore, as the representative of Direct-U-Systems legally voided the contract, as far as Direct-U-Systems is concerned, and if I choose to hold that interpretation.

“In your letter of January 30th in Paragraph 8 you say that you did not agree to any specific number of hotels, and suggest that I re-read my contract. May I suggest that you re-read the copy of my contract which does specifically number five hotel leases, and was included in the contract in the presence of Mr. Morgan, my attorney and myself. Mr. Morgan did not secure these specified leases.”

Signed E. M. SCHUTT.

In reply to this letter I received the letter you show me (Government's Exhibit 49), as follows:

(Testimony of E. M. Schutt.)

“We are extremely sorry that you are having so much difficulty in getting started, and we feel that you are letting some implications get you unduly worried. As far as anyone having identical equip- [60] ment to ours, including the rotating machine, we would appreciate your sending us the information on to us as we have never run into it. It is possible, of course, for someone to reproduce an electric directory, but they are not comparable in the value that is rendered to the merchant. We have run into definite cases where the salesman of the competitor wanted to quit and work on our proposition because they could see the many advantages.”

Skipping.

“In reference to the National Directories System, we have very carefully investigated their connection with the Robot Map Service, and the president of the Robot Map secured the control of the National Directory System a couple of years ago. We know that they are constantly being tied in with lawsuits on the National Directories setup, and that they are one and the same company. Of course, we have no information as to the truth of these assertions, and there is no way we can secure this information for you.

“We did have some information a month or so ago that the salesman of the Robot Company had quit, and they were ready to fold up; but again, we are not in a position to substantiate these facts other than we can say it is hearsay.

(Testimony of E. M. Schutt.)

“The Direct-U-Systems, nor any of its officers, have any connection with the National Directories or the Robot Map Service.

“Several years ago the writer did have a financial interest in the National Directories, but [61] sold all of his holdings in March, 1938, to Mr. Young, who is the president of the Robot Map Service.

“Outside of this, there is no other information we can give you with the exception that the Direct-U-Systems has exclusive features that no other company has, and also that the company operates on an extremely ethical basis.”

Signed DIRECT-U-SYSTEMS,

By C. W. TALBOTT.

I wrote the letter you show me (Defendant's Exhibit 50) dated February 14, 1940 to Mr. Talbott where I accused the company of definite misrepresentations (P. 336, 339) and requested the return of my \$1500. I never got any return of my money but I did go to California to the office of the Company and told them who I was and Mr. Talbott came in and he introduced me to a Mr. Painter whom I now recognize as Mr. Marshall. (P. 342) Mr. Talbott said it was apparent Mr. Marshall had misrepresented things to us and that he was not authorized to do this but that they would arrange to repay our \$1500 as soon as the Board met, so we went on back and Mr. Talbott said to me he would give me his word of honor that it would



(Testimony of E. M. Schutt.)

be settled to my satisfaction in thirty days but I never got any money back at all.

### Cross Examination

By Mr. Stoddard:

Mr. Morgan told me there were other installations of the Direct-U-Systems throughout the country but that there were none in Cleveland and I never did learn that there had been any other installations by any other company in Cleveland. The only effort I made toward selling any advertising was in connection with the New Amsterdam Hotel. When the contract was drawn up I went to my attorney. (P. 352) The reason I didn't go any further in securing loca- [62] tions was that I was called up by an attorney who represented the Robot people and told me not to go any further. Some time elapsed in correspondence trying to find out, because it was represented to me there was nothing of its kind on the market, and I wanted it straightened out, and then I got some very evasive letters and answers, and then I finally demanded my money. (Tr. p. 355, lines 10 to 14.) It is true that the Direct-U-Systems offered me an agreement to let someone else take over my territory but I never went ahead with that for the reason that it was too indefinite. It was if and when: if they were able to sell the contract and when the machines did any business. (Tr. p. 357, lines 3 to 6.)

## RALPH A. BURKE,

called as a witness on behalf of the Government, testified as follows:

I live in Oakland and saw an ad in the paper concerning the Direct-U-Systems and received a call from Mr. Martinez who wanted to know what my business experience had been and I told him I had been in the shoe business all my life and was looking for a connection and he said I was the right man for their company as they wanted a resident manager who could act as supervisor of the sales crew. I asked him, first of all, what protection would I have if I went in this thing. He told me there was nothing in the market like it, that it was completely patented, that it was brand new and had never been tried in San Francisco. (Tr. p. 367, lines 12 to 15.) He did some figuring and thought I would make at least \$6500 a year. I asked him why they were not rated in Dunn and Bradstreet. He said they were a very big concern; they bought everything for cash and had no reason to have a rating. He told me he did not receive any commission on the money I put up but it was held in trust and if the franchise holder fell down on the job, the money would be returned to me. I paid them a total of \$1500 and I did so on the strength of representations Martinez made to me. I did not receive any cabinet but I didn't ask for any. (P. 371) I had salesmen working for me [63] for about one month. I sent the crew out and relied upon what Mr. Martinez had told

(Testimony of Ralph A. Burke.)

me and I received a letter dated April 26, 1939 (Government's Exhibit 53). There has never been any attempt to state that the directory system is patented in all details, but we do have an exclusive on the revolving cards which we have the patents pending on. It is impossible to cover all of the directory features in patents as there is nothing basically patentable on this type of equipment with the exception of design patents, but the revolving equipment that we have is patentable. (Skipping) We have seen one or two people who have attempted to start in competition and we have seen them fold up due to their inability to build the type of equipment or render the service that we do. (Tr. p. 377, line 16, to line 5, p. 378.)

I received the following letter (Government's Exhibit 55) written by Mr. Talbott and dated May 25, 1939:

"Relative to the advertisement. We can see no reason why your income should not exceed the amount we set forth in our advertisement for this would require only installation of a very small percentage of the potential locations in your territory.

"These installations can be shipped to you as quickly as you furnish us the necessary information, such as the listings, etc. to complete them.

"This is not a promotional matter, and we most certainly have nothing to sell you, as we do not under any condition, sell you any equipment. All of our equipment is leased on a yearly basis, of which you were well aware of the conditions.

(Testimony of Ralph A. Burke.)

“We are, however, extremely interested in [64] the development of that territory, and if you are interested in disposing of your franchise, we will be only too happy to work out some arrangement to assist you. We will, upon advice from you, endeavor to work out a repurchase agreement, having in mind that it is possible to secure someone who would have the ability to properly develop that territory.”

My salesmen brought in six contracts altogether but when I learned that the article was not patented and that people had been trying to sell it there previously I asked them to give me back my money and I did get \$500 back and they executed a repurchase agreement with me. I did see Mr. Marshall in San Francisco who told me his father used to be a close friend of Mr. Talbott while he, Mr. Marshall, did not have any connection with the Direct-U-Systems. I had told Mr. Talbott I would try to make a settlement of my case so we discussed the proposition and Mr. Marshall said he would take it up with Mr. Talbott. Mr. Marshall told me he would come up personally and build a cabinet and install it at his own expense at San Francisco and that he would sell it for me at that time. I did write a letter, however, wherein I stated I thought the franchise could be advertised for sale on a basis of \$7500 out of which I could get my money and we felt it could be sold on a basis of \$750 for each of ten installations. (Tr. p. 388.)

(Testimony of Ralph A. Burke.)

Cross Examination

By Mr. Stoddard:

(P. 390) I did not try to do any selling myself. I finally agreed to sign a re-purchase agreement wherein I was to receive \$500 from the first money received from the re-sale of the territory, and the balance of \$1000 out of the 20 per cent of royalties. That amount was modified by telephone conversation with Mr. Marshall and later I confirmed it by letter. (Tr. p. 394.)

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T. E. MORGAN

called as a witness on behalf of the [65] Government, testified as follows:

I live in Los Angeles and became acquainted with Mr. Marshall and Mr. Talbott by answering an ad relative to the Direct-U-Systems. (P. 400) I made an appointment with Mr. Marshall and called upon him. The plan was explained to me. I was very much interested and I asked if the equipment was patented. Mr. Marshall said the essential features were patented but generally they had patents pending. I was told that the territory I was to have was virgin territory. (P. 402) I was given a kit and a model of the cabinet and given pictures as to where the machines were in operation in the Multnomah Hotel, Hotel Washington, the Plaza in San Francisco. I was furnished



(Testimony of T. E. Morgan.)

with an outline of sales talk, containing in substance the same material as this one, marked Government's Exhibit No. 25. (Tr. pp. 185-194.) My original contract was that I was to receive 25% commission. I signed this with Mr. Talbott. I had an outline of my sales talk. I did represent to Mr. Schutt that this had never been tried before. I did procure for Mr. Schutt five hotel locations.

### Cross Examination

By Mr. Stoddard:

(Three letters were identified and marked for identification but not received in evidence.)

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### A. M. GONZALES,

called as a witness on behalf of the Government testified as follows:

In 1936 I met Mr. Martinez in Seattle and purchased the State rights in Washington for the National Directory Systems. We made some sales but the board was not installed in a Washington hotel because it proved to be defective. Different parts of the board would go out of order. (P. 412) I never met Mr. Kane with whom I corresponded. I had a picture of that board taken at the request of the company. I sent them a copy.

## IVAN SMITH,

called as a witness for and on behalf of the Government, testified as follows: [66]

I live in Portland, Oregon and met Mr. Martinez, one of the defendants, in 1937 and in 1938 installed a directory at the Multnomah Hotel. It did not operate very good at any time. (P. 418) I do not know what finally became of it.

---

## L. C. WHITNEY

called as a witness on behalf of the Government, testified as follows:

I live in San Leandro, Alameda, California. As a result of an ad which I saw in the paper, I met Mr. Marshall in February of 1939. The ad was similar to the ones I have heard read here. (Tr. p. 420.) He introduced me to a man by the name of Wall whom he said had the San Francisco area and thought we should get acquainted. I was shown some letters (Government's Exhibits 58 and 59, respectively) indicating that machines were operating successfully in Portland, Oregon.

(Testimony of L. C. Whitney.)

GOVERNMENT'S EXHIBIT No. 58

Member

American Hotel Association

United States Chamber of Commerce

Hotel Multnomah

Earl McInnes, Manager

Wm. J. Hofmann Associate Manager

Fourth and Pine

Portland, Oregon

July 22, 1938

Mr. A. Kane

Pioneer Building

Los Angeles, California

Dear Mr. Kane:

Replying to your letter of July 19.

The Electric City Directory, to which you refer, has been in our lobby for several months, and seems to function in good order and attract considerable attention.

If we may be of further assistance to you, please do not hesitate to call upon us.

With best wishes, we are

Very truly yours,

HOTEL MULTNOMAH

EARL McINNES

Earl McInnes, Manager

McI:RD

[Endorsed]: Filed Sept. 23, 1942.

(Testimony of L. C. Whitney.)

GOVERNMENT'S EXHIBIT No. 59

H. E. Dupar, Mgr.

New Washington Hotel  
Seattle

July 25, 1938

Mr. A. Kane

Pioneer Building

Los Angeles, California

Dear Mr. Kane:

In response to your inquiry, we are glad to say that the electric city directory which has been installed in our lobby is proving to be very satisfactory. Except for one short time, due to a defective battery, it has been functioning perfectly.

It seems to arouse a good deal of interest and we feel that the advertisers are receiving value for their money.

Sincerely,

F. B. McCLURE

Frank B. McClure

Assistant Manager

[Endorsed]: Filed Sept. 23, 1942.

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I told Mr. Marshall I had been connected with the banking business for twenty-five years and had never done any advertising sales work. Mr. Marshall said they were attempting to put these

(Testimony of L. C. Whitney.)

machines in San Francisco and California for the first time and told me there would be no competition. He gave me figures at that time whereby if I operate ten of the systems I would be able to net myself in the neighborhood of \$7000, somewhat over \$7000, but that would be net with the fact that I was to hire a sales manager inasmuch as I told him I had never done any advertising sales work. (Tr. p. 424) I paid \$1500 for my contract. At the time I paid him the money I relied upon the representation he had made. I would not have paid the money if I had not relied upon the representation made. I did not get a cabinet but I didn't ever try to get one. I wrote the company and told them in February, 1939 that I was having difficulties with getting leases from hotels. (P. 439) I told them that unless they could supply the leases to me as I understood they would I could not let the sales force work but I got one contract only and that from the California Hotel. On March 8th, 1939 I addressed a letter to the Direct-U-Systems [67] (Government's Exhibit No. 62), portions of which are as follows:

"It was my understanding with Mr. Marshall when I agreed to your contract that you were to secure the leases from the various hotels. When he left here last week he assured me that the ones listed had all agreed to sign. Since getting your letter, I have contacted all the managers but have had no success in getting anywhere. The best



(Testimony of L. C. Whitney.)

statement any would give me was that they would look into it.

"It also appears that you will find trouble because of the Hotel Oakland lease. Mr. Gillum told me that he wa to talk it over with the Hotel Oakland and if he notices that they got ten per cent he won't sign.

"It was my understanding the leases were to be supplied by you, since you were to have them in your name and I was merely to lease them from you. It appears that the Hotel Oakland is the only one on my list that you have signed up and that is not in accordance with the lease terms. It appears the hotels all check in with the Oakland. Unless you can supply me with the leases, I cannot let the sales force work."

I wrote under date of March 22, 1939 and told the company that since I was not getting the leases, I would have to put the proposition to someone to buy out my interest. I had considerable correspondence with the defendants concerning a re-purchase agreement and on May 4th, 1939, wrote the following letter:

"It appears from your agreement that you want to operate here on my deposit and repay me only from the profits therefrom. A letter of Mr. Marshall [68] to Mr. White also seems to substantiate this. If you were to sell my franchise to another for \$1,500 I cannot see why I should wait for payment from his profits to you, as Mr. Marshall was here in connection with San Francisco at the same

(Testimony of L. C. Whitney.)

time. I do not see that all his expense should be charged to me.

“In connection with your repurchase, I am willing to sell for \$1,300 cash if closed in ten days, or will sign upon payment of \$500, and to receive \$500 upon your selling to another if within 60 days, and the \$500 balance when the board is installed in Oakland. This last is because you seem to see that I am repaid in full.

“Yours very truly, WHITBY.”

(Government's Exhibit No. 68, Tr. p. 436.)

I did receive a repurchase agreement from the company and did receive \$375 on that which I agreed to accept. (P. 439).

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### MYRTLE SCHUTT,

called as a witness on behalf of the Government, testified as follows:

I was present when my husband talked to Mr. Marshall and Mr. Talbott in Los Angeles. Mr. Talbott said he wanted us to meet our sales manager and introduced Mr. Marshall as Mr. Painter. My husband told them that he was dissatisfied with the representations made to him in Cleveland and wanted his \$1500 back. I never saw Mr. Painter again. When we left we were told we would hear from them in thirty days. Mr. Schutt made it clear that he wanted nothing further to do with the situation.

## CECIL I. McREYNOLDS,

called as a witness on behalf of the Government,  
testified as follows:

I live in Tucson, Arizona, but in October of 1939 I was in Washington, D. C. and saw an ad from the Direct-U-Systems of Los Angeles, California and had a conference with a Mr. MacNeil [69] who represented the Direct-U-Systems. He told me it was an old established company of high financial standing and that the men representing it were well and favorably known on the West Coast. I was told the machine was protected by patents and that a patent was pending. There was some discussion of a competing company which was called the Robot Map but I was told we would have no trouble with it as it was so much inferior to the Direct-U-Systems. We subsequently signed an agreement on October 6. This is the agreement I signed (Exhibit 72) and I gave Mr. MacNeil \$1500.

## GOVERNMENT'S EXHIBIT No. 72

Date Rec'd. 10-9-39 Ackngd. 10-9-39

Remittance 1500.00 Eqpt. Ordered ----

Franch. Card Made 10-10-39 Comm. Ent'd....

## Agreement.

This Agreement, entered into this 6th day of October, 1939, by and between the Direct-U-Systems, a corporation, with general offices at Los Angeles, California, hereinafter referred to as the Lessor, and Cecil I. McReynolds, of Washington, District

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)  
of Columbia, hereinafter designated as the Lessee,

Now, Therefore, in consideration of the premises and the mutual promises of the parties hereto, and the consideration passing and to pass from each other to other, it is agreed as follows:

The Lessor hereby grants to the Lessee the exclusive right to use and operate the Lessor's Direct-U-Systems in the following described territory, to-wit:

The District of Columbia, including all of the city of Washington; and the cities of Annapolis, Frederick, and Cumberland, all in the State of Maryland; and the cities of Alexandria and Fredericksburgh, in the State of Virginia.

on the following terms and conditions:

Whereas, the territory above described is at this time subject to an attempt to develop the same by a competing organization known as Robot-Map and it is the desire of the parties hereto to provide for contingencies arising from said competitive situation which may affect the operations of the Lessee and Lessor in said territory in an abnormal manner,

It Is Agreed that the term of this agreement shall be as follows: First, a preliminary period ending on December 31, 1939; Second, an effective period of three years from January 1, 1940; and Third, an additional period of five years from and after January 1, 1943, on the following express terms and conditions:

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

A. The said Lessee shall immediately devote his whole time and efforts to the development of said territory in a manner satisfactory to both parties hereto, and is authorized hereby to sign up locations for said Direct-U-Systems, subject to the approval of Lessor, and to sign up listings in the said Direct-U-Systems on the terms and conditions established by Lessor and hereinafter contained.

B. On or before the said 31st day of December, 1939, the Lessee agrees to complete the first two boards or machines hereinafter provided for, and to complete and thereby make this agreement fully effective and in full force and effect, Providing, that in the interim between the date of this agreement and the said 31st day of December, 1939, there shall not have occurred in said territory any abnormal happening or event which in the judgment of the parties hereto shall or may reasonably prevent, impede or handicap the development of said territory to the satisfaction of the parties hereto, of a nature arising out of said competitive situation; or from litigation which may be filed or be pending in said interim of time, or from any other abnormal cause which may affect, impede or handicap the operation of the parties hereto, under this agreement and in said territory, to an extent according to their mutual judgment and opinion which may make the further operation of this agreement undesirable or difficult.

C. In the event no such happening or develop-



(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

ment occurs, an order for the first two cabinets or machines hereunder shall become final and fully effective on or before said December 31, 1939; but if such happening or development does or should occur in said interim of time, prior to the time the said two installations are or shall have been made (but not otherwise) then, even if one installation shall have been made (but not two) the Lessor shall repay and refund to Lessee the sum of fifteen hundred dollars which is deposited with Lessor at the time of the execution of this agreement, whereupon Lessor shall take over any installation which shall have been made and may operate the same for its own use and benefit, and shall receive the benefit of any location rental, salesmens' commissions and display cards and other equipment on hand, and shall receive the balance in full of all moneys theretofore collected by Lessee or his representatives or under his direction; and neither party shall claim from the other any amount or compensation for efforts made or work done, otherwise; and the Lessor shall be free to dispose of the said franchise and territory as it may desire.

D. In the event the said Lessee shall make final and effective an order for the first two cabinets or machines, on or before December 31, 1939, then the effective period of this agreement shall commence to run on January 1, 1940, and shall continue for three years thereafter; Provided, however, that if during the calendar year of 1940 Lessee shall

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

give a definite order for, or if he shall pay for, three additional cabinets or machines, making a total of five (5), then Lessee shall have a firm option for the renewal of this agreement for an additional period of five years from and after January 1, 1943, on the same terms and conditions.

The further terms and conditions of this agreement are as follows:

(1) The lease rental on the 60 space Direct-U-Systems shall be \$750.00 each, and on the 40 space systems the lease rental shall be \$500.00 each for the first year, payable upon installation and collection.

(2) The second and succeeding years each 60 space system shall be \$250.00 per year, and \$166.67 for 40 space Direct-U-Systems, payable upon installation and collection.

(3) The sum of fifteen hundred dollars (\$1500.00) shall be deposited by Lessee with Lessor upon the signing of this agreement, subject to the terms and conditions hereinbefore written, and said payment of \$1500.00 represents payment of the lease rental on the first two systems, hereby leased by Lessee from Lessor, to be delivered on demand, subject to the terms and conditions of this agreement.

(4) Lessee agrees to pay Lessor ten per cent (10%) royalty in addition to the lease rental above set forth, payable upon installation and collection.

(5) In addition to the above lease rentals and royalties, the Lessee shall pay to the Lessor the sum of fifty cents (50c) for each advertising card

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

furnished for the Lessee's subscribers each month, if desired by Lessee, in which case the Lessee agrees to furnish, not later than the 10th of each month, individual copy for the advertising cards to be used for the following month, otherwise the Lessor shall be relieved from the responsibility of furnishing the same.

(6) Lessor agrees to furnish and install, at its own expense, each system complete and in good working order, and to maintain the same, complete and in good working order, at its own expense during the life of this agreement.

(7) Lessee shall have the use and benefit of the leases of locations made by hotels and depots, and shall pay lease rental direct to location Lessor in the above designated territory, and it is agreed that all leases shall be made in the name of the Lessor and must be approved by the Lessor.

(8) Lessor agrees to cooperate with and assist the Lessee in securing location leases, hiring and training salesmen, and to render all additional assistance practicable and reasonable in view of the nature of the operations contemplated hereby, without charge to Lessee for such assistance; and Lessor shall loan sales equipment to Lessee as per list attached.

(9) Lessee shall operate the business in his territory as an independent contractor, and shall in no way obligate the said Lessor. This is not an agency nor partnership.

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

(10) All advertising space shall not be sold for less than \$5.00 per listing per month, unless agreed to by Lessor in writing.

(11) Lessee may if he so desires, arrange for and provide his own service agreements, lease forms, map location cards, letterheads, envelopes and multi-graphed letters, in which case the Lessor agrees to credit to his account and apply such credit on any amount owing from Lessee to Lessor, the equivalent value of such material, and in no case less than the amount set opposite the respective items on the attached Equipment list.

It is further understood and provided that if during the life of this agreement there should occur any situation as to manufacture or transportation, whether by War, Act of God, Major Force or otherwise, which for the time being prevents the Lessor from accepting and filling the orders of the Lessee for the Direct-U-Systems which are the subject of this contract, then and in that event the Lessee shall have the option or privilege of manufacturing and installing any of said systems which the Lessor may be unable to deliver, and not otherwise; in which case Lessee shall pay to Lessor the royalty on such systems which is provided for in this agreement, but no lease rental for said systems.

This Agreement supersedes and voids all previous agreements between the parties hereto, and before executing this agreement Lessee has read each provision herein and understands same, and no other



(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)  
 agreement or representation shall be valid or binding  
 on the Lessor; but this does not prevent the modifica-  
 tion of or addition to this agreement, hereafter, by  
 written agreement between the parties hereto.

In Witness Whereof the parties have affixed their  
 signatures the day and year in this instrument first  
 above written, the representative of Lessor being  
 duly authorized thereto. Executed in duplicate.

DIRECT-U-SYSTEMS, Inc.

By W. W. MacNEILL

Lessor Division Manager

CECIL I. McREYNOLDS

Lessee

Witnesses:

C S WALLACE

**ANTICIPATED INCOME AND EXPENSES LESSEE PRO-  
 POSES TO EFFECT, FIRST YEAR, AND SUCCEED-  
 ING AS PER STATEMENT BELOW:**

60 spaces:

income, 60 spaces, at \$5.00 per month,	
total for year,	\$3,600.00

**Expenditures by franchise operator:**

Lease rental to Lessor,	\$ 750.00	
10% royalty to Lessor,	360.00	
10% to hotel,	360.00	
sales expense, not over 20%	720.00	
60 advertising cards each month,		
or 720 per year, at 50 cts. each	360.00	2,550.00
		<hr/>
balance,		1,050.00



(Testimony of Cecil I. McReynolds.)

## Government's Exhibit No. 72—(Continued)

Second and following years:

Income as above,		3,600.00
expenditures,		.
lease rental to Lessor,	\$ 250.00	
10% royalty to lessor,	360.00	
10% to hotel,	360.00	
sales expense, not over 20%	720.00	
720 advertising cards at 50 cts.	360.00	2,050.00
		<hr/>
	balance,	1,550.00
•	•	•

Standard 40 space installation:

Income, 40 spaces at \$5.00 per month,		
total for year,		\$2,400.00
expenditures by franchise operator,		
Lease rental to Lessor,	\$ 500.00	
10% royalty to Lessor,	240.00	
10% to hotel,	240.00	
40 advertising cards per month,		
or 480 at 50 cts each,	240.00	1,700.00
		<hr/>
	balance,	700.00

Second and following years:

Income as above,		2,400.00
expenditures,		
Lease rental to Lessor,	166.67	
10% royalty to Lessor,	240.00	
10% to hotel,	240.00	
480 advertising cards at 50 cts.	240.00	1,246.67
		<hr/>
	balance,	1,153.33
•	•	•

24 space installation:

Income, 24 spaces at \$2.50 per month,		
total for year		\$ 720.00
expenditures by franchise operator,		
lease rental to Lessor,	157.00	
10% royalty to lessor,	72.00	
10% to hotel,	72.00	
salesman, 20%	144.00	445.00
		<hr/>
	balance,	275.00

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

## EQUIPMENT LIST.

Direct-U-Systems, Inc. will loan to franchise operator the following equipment: Valued at

- |                                      |    |
|--------------------------------------|----|
| 1. 3 Demonstration cabinets.         | \$ |
| 2. 3 Illustrated Presentation Books. | \$ |
| 3. 6 Selling Suggestion Circulars.   | \$ |

Direct-U-Systems will furnish free to franchise operator, up to

- |   |    |
|---|----|
| 4. 200 sets Advertisers' Service Agreements, quadruplicate,   | \$ |
| 5. 20 sets Hotel Lease forms, triplicate,   | \$ |
| 6. Hotel Reminder Cards, as needed,   | \$ |
| 7. 200 Advertisers' Map Location Cards,   | \$ |
| 8. 200 Letterheads, imprinted with name of franchise operator   | \$ |
| 9. 200 envelopes, imprinted same  | \$ |
| 10. 200 letters multigraphed on above, filled in with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2¢ stamps attached, shipped to franchise operator to place in mail. |    |

Extra equipment, if ordered additional to above, will be shipped COD unless paid for in advance:

Letters as per item 10, letterheads and envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred,	\$	5.50
Demonstration cabinets, each,	\$	7.00
Letterheads and envelopes as per items 9 and 10, per sets of 100	\$	2.50
Presentation books, including selling suggestion circulars, each	\$	1.00

## EQUIPMENT

Direct-U-Systems will furnish to Franchise Operator the following equipment:

1. 3 Demonstration Cabinets

(Testimony of Cecil I. McReynolds.)

Government's Exhibit No. 72—(Continued)

2. 3 Illustrated Presentation Books

3. 6 Selling Suggestion Circulars

Furnished Free: Up to—

~~4. 200 sets Advertisers' Service Agreements~~  
(quadruplicate) [Written in pencil]: Copy enclosed.

5. 20 sets Hotel Lease Forms (triplicate)

~~6. Hotel Room Reminder Cards (as needed)~~

7. 200 Advertisers' Map Location Cards

~~8. 200 Letterheads Imprinted with name of Franchise Operator~~

~~9. 200 Envelopes Imprinted with name of Franchise Operator~~

~~10. 200 Letters multigraphed on above, filled in with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached Shipped to Franchise Operator to place in mail.~~

Extra Equipment—If ordered additional to above; shipped COD:

Letters as per Item 10, Letterheads and envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred,

\$5.50

Demonstration Cabinets, each,

7.00

Letterheads and envelopes per items 9 and 10, per 100 sets

2.50

Presentation Books, including Selling Suggestion Circulars, each—

1.00

[Endorsed]: Filed Sept. 24, 1942.

(Testimony of Cecil I. McReynolds.)

I demanded a return of my money but I never got it. However, I did not order an electric board for installation. I asked for a demonstrator but never sold any advertising space, although I endeavored to do so and employed salesmen for that purpose. I know the money was not held as a deposit but was immediately used. It is true that the organization did attempt to secure leases from hotels and it is correct that it assisted in securing three salesmen and that it assisted at meetings in training and forming sales organizations. (P. 482) And it assisted in compiling adequate lists of prospects and it is true that I wrote "to express my deep appreciation of the very fine assistance given me by Mr. McNeil, a man of high attainments, exceptional personality and loyalty and trustworthiness and it is true that that is my wording" and I did sign the statement that I had received all of the assistance I was supposed to receive.

#### Cross Examination

By Mr. Peterson: I am an attorney and admitted to practice in California, Arizona and New York. My work is mostly civil and corporation work and I have been in active practice since 1901. (P. 488)

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#### MRS. KATHERINE PHILIPS

called as a witness on behalf of the Government, testified as follows:

I am acquainted with defendants Marshall, Marsh,

(Testimony of Mrs. Katherine Philips.)

Talbott, Fawkes and Martinez. I was employed by Mr. Marshall in September, 1937, and they were all associated with him in the office. [70]

By Mr. Veale:

“Q. You were there several months?”

The Witness:

“A. About six, six and a half, seven months.”

[71]

By Mr. Veale:

Q. “During that time did you have occasion to do stenographic work for Mr. Marshall?”

The Witness:

A. “Yes.

By Mr. Veale:

Q. “Do you recall having heard the name of Mr. A. Kane?      A. “Yes, sir.

Q. “Did you ever see Mr. Marshall sign letters which had been typed by you and use the name of “A. Kane.”

By Mr. Peterson:

“That is objected to on the ground it is immaterial to any issue in this case; that the asking of that question is prejudicial to the rights of the defendant; that there is nothing charged in the indictment relative to that that I have ever seen.

By the Court:

“I know we have some letters here that are used by a hotel, that the name of A. Kane is used in, that was used as part of the sales talk. The objection is overruled.



(Testimony of Mrs. Katherine Philips.)

By Mr. Peterson:

“And an exception, please.

By Mr. Veale:

“Have you seen correspondence come into the office of the National Systems while you were employed there addressed to Mr. A. Kane?

The Witness:

“Yes sir. Mr. Marshall dictated letters to me in reply to those letters.

#### Cross Examination

By Mr. Stoddard:

“I myself have signed the name A. Kane to letters. [72]

The Court:

“I am going to limit it for the purpose of connecting up the exhibits 58 and 59, and for no other purpose. And it doesn't tend to prove or disprove the guilt of the scheme or conspiracy alleged, but except as a connecting link in the use of these letters that have been alleged were used, and it is claimed they were used. \* \* \*’ (P. 493)

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#### HENRY T. BELLING,

called as a witness on behalf of the Government, testified as follows:

I live in Los Angeles and have had dealings with Mr. Marsh, Mr. Marshall and Mr. Talbott. Mr. Marsh called on me and showed me photographs of

(Testimony of Henry T. Belling.)

this apparatus supposed to have been taken in various hotels in the eastern part of the country and a few days later showed me one of the machines in their place of business here in Los Angeles although it had not been completed. I asked about the installation in the Drake Hotel and Mr. Marsh told me that it was very successful and had been operated there for several months. I asked particularly whether or not the advertising spaces as shown on that board or on pictures of the various boards had actually been sold, and I was told that they had. I was told they had numerous installations in the east also and that it was working out very well.

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#### IRA H. ARNOLD

called as a witness on behalf of the Government, testified as follows:

I am Assistant Chief of the Application Division of the United States Patent Office and have made a search of certain designated names of companies from January 1, 1922 to September 1, 1942. I did not find any patent issued under anyone named Norman H. Marshall on a director device. (P. 509) Nor did I find any issued to Chas. W. Talbott, Albert Martinez, A. Kane nor Ray Young nor L. F. Marsh. If a person wants to make an assignment of [73] a patent, it is recorded in the Patent Office, but I did not find any assignment of the National

(Testimony of Ira H. Arnold.)

Directory Systems nor for the Automatic Map Company. (P. 511) I found a patent applied for by one Emmet W. McKenna on September 6, 1935 covering a cabinet "Electrical Directory System." That is the title of the application and it was notarized by N. H. Marshall.

(It was stipulated by counsel that the notarization was by the defendant, Marshall). (P. 513)

A letter was sent to the applicant notifying him of certain defects in the application for the patent. It was rejected October 22, 1935 and became abandoned six months thereafter.

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### IRA H. ARNOLD

resuming the stand as a witness for the Government testified as follows:

I can identify patent which the Direct-U-Systems acquired by assignment.

"Mr. Stoddard: No. That is a design patent.

Q. By Mr. Stoddard: This is a design patent?

A. Yes.

Q. That has been issued by the patent office?

A. Yes.

The Court: Does that cover this cabinet that is exhibited here?

Mr. Stoddard: It is not our contention that it does.

The Witness: No.

(Testimony of Ira H. Arnold.)

The Court: Then what materiality is it, counsel?

Mr. Stoddard: I will say this for the materiality as to this particular patent; It is a patent which the Direct-U-Systems acquired by assignment.

The Court: You mean this particular patent?

Mr. Stoddard: Yes.

The Court: What would that have to do with this? [74] This is a different design?

Mr. Stoddard: That is right. But as the evidence will show, this is just one of several designs which the company manufactured and put out, depending on the selection of a man who was going to operate it.

I will offer this at this time." (Tr. p. 525.)

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### ARTHUR K. BARNES

called as a witness on behalf of the Government, testified as follows:

In October, 1940, I was living in Pasadena. I met during that year Mr. Marsh, Mr. Marshall and Mr. Talbott. Mr. Marsh called on me and said he came as a representative of the Direct-U-Systems and explained their proposition to me about putting machines in hotels. Mr. Marsh assured me the company was financially responsible, and I later visited the headquarters of the Direct-U-Systems (P. 533) where I met Mr. Talbott and Mr. Marshall. I told them I had been active in sales management when I was told that this machine was used in some

(Testimony of Arthur K. Barnes.)

of the Brooklyn hotels in New York and in the city of Dayton, Ohio. I asked them the names of operators of various hotels, but they did not give them to me. I asked why they had gone back east to exploit this device; why they had gone so far afield and they said it was in order to demonstrate that it could be operated a long distance from headquarters. I asked if I could investigate the San Francisco situation and talk to the men who had sold the space on the board in the Sir Francis Drake Hotel and Mr. Marshall told me that he had done that himself. I had a further conversation with these men in Mr. Marshall's office and was given a complete selling setup. (P. 540) During these conferences I requested of the defendants a list, a sworn list, of the various hotels, and their locations, where these boards were in operation. I made this request, first, of Mr. Marshall and subsequently of Mr. Talbott, and was furnished such a sworn statement. (Government's [75] Exhibit 74, Tr. 540, 541.)



(Testimony of Arthur K. Barnes.)

GOVERNMENT'S EXHIBIT No. 74

Direct-U-Systems

General Offices

Direct-U Building—7225 Beverly Blvd.

Los Angeles, California

Oct 23, 1940

Mr. Arthur K. Barnes

401 Scott Place

Pasadena, Cal.

Dear Mr. Barnes:

The following is a partial list of the hotels or locations where electric directories have been installed either by this company or by the company that the writer was formerly President. The old company is now inactive and never made equipment comparable to the present having never had the moving card equipment which we have designed solely for Direct-U-Systems.

Multnomah Hotel—Portland Oregon

New Washington—Seattle Washington

Plains Hotel—Cheyenne Wyo.

Hildebrand Hotel Lansing Mich

Blackstone Hotel Fort Worth Texas

Lanier Hotel—San Antonio Texas

Park Motel—San Antonio Texas

Ben Milan—Houston Texas

New Orleans New Orleans La

Newark Athletic Club—Newark N. J.

Columbian Club—Elizabeth N. J.

(Testimony of Arthur K. Barnes.)

Roosevelt Hotel—Pittsburg Pa.

Jefferson Hotel—Virginia

St. Nicholas—Springfield Ill.

Waldorf Astoria—New York City

Park Central Hotel—New York City

Imperial Hotel—New York City

Times Square Hotel—

“

Governor Clinton Hotel

“

Sir Francis Drake—San Francisco

Detroit Leleand Detroit Mich

Dayton Biltmore—Dayton Ohio.

And many others either installed or in process of construction.

Trusting that this is the information that you desire, we are,

Very truly yours

DIRECT-U-SYSTEMS

By C. W. TALBOTT

President

Allied Member AHA      An International Service

State of California,

County of Los Angeles—ss.

On this 23rd day of Oct., 1940, before me, the undersigned, a Notary Public in and for said County, personally appeared C. W. Talbott—President Direct-U-Systems known to me to be the person

(Testimony of Arthur K. Barnes.)  
whose name is subscribed to the within instrument,  
and acknowledged that he executed the same.

Witness my hand and official seal.

[Seal]                      N H MARSHALL

Notary Public in and for said County and State.

My Commission Expires June 20, 1942 (1942)

[Endorsed]: Filed Sept. 24, 1942.

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I gave them a check for \$1500 to cover the franchise for the territory agreed upon and they gave me salesman kits and advertising matter, and I relied upon the representations they made me. I tried to sell advertising space myself and a lease agreement for the Hotel Hilton was delivered to me but I did not sell any of the advertising space. I asked for a return of my money and made the request to Mr. Talbott. I was tendered a repurchase agreement but did not sign it. I never received any of my money back. (P. 546)

#### Cross Examination

By Mr. Stoddard:

I took some little time to investigate this proposition and three weeks elapsed during my investigation and I submitted the proposed contract to an attorney. (p. 551) There were three major features wrong with the enterprise. One was that the figures of the amount of business done by the Hilton Hotel were wrong. The second feature was that this had not been exploited in any territory which I had

(Testimony of Arthur K. Barnes.)

taken over but this was not true. People didn't recognize it by name; they recognized the device and the third that the merchants could not see the profits from that advertising expenditure. (P. 555) I personally contacted three or four dozen merchants. I had had advertising agency experience in the east. I always made an investigation before I entered into a contract. I got a Dun & Bradstreet's report through my bank. I did not make any complaint on this report to anyone. I was not satisfied with my report but I did get a report that was satisfactory to me. At least I was satisfied to the extent I was willing to take a chance. (P. 563) Mr. Marsh agreed to help me with my getting started and he did so. (P. 568) I didn't attempt to find out whether cabinets had been installed in the hotels that they told me. (P. 570)

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MR. N. N. EDWARDS,

called as a witness on behalf of the Government,  
testified as follows:

I am a Postal Inspector and was one of the agents assigned [76] to investigate this case. I interviewed the defendant Martinez on February 14, 1941.

This was at 7225 Beverly Boulevard, which was the office of the Direct-U-Systems. February 14, 1941. I went out there on that morning. Mr. Martinez came out and told me that he was A. A. Martinez. I told him who I was, and I was a post-

(Testimony of N. N. Edwards.)

office inspector; that I was trying to get the location of C. S. Wallace, who was a salesman for the firm.

He told me that Wallace had not been with them for about two years, and had only made about one or two trips.

I told Mr. Martinez that I was going to make an investigation relating to Direct-U-Systems and their activities, and he said, Fine, he would like to show me one of their cabinets. The cabinet was there in the front office, and he did demonstrate that to me. In the course of the conversation I asked if Mr. Marshall was in. And he said No, he was not there.

I asked if Miss Fawkes was there, and he said No, she was in La Jolla visiting friends.

There were two cabinets in the front office. One was Sir Francis Drake Hotel cabinet, and another was for a hotel in Boston, Massachusetts. Mr. Martinez told me that they had another cabinet besides the one there in the office at that time installed in the Sir Francis Drake Hotel; that Mr. Bergen was the operator there, the franchise holder, and was just crazy about the machine. He said they had—I asked him if Mr. Burke was not the operator. He said No, they had settled with him; that they had Mr. Bergen; that Mr. Burke was a cry baby, and they had bought him out.

I asked about the other machines they had, and Mr. Martinez said, "We have five or six machines in New York."



(Testimony of N. N. Edwards.)

Q. By Mr. Neukom: Can we get the date of this interview again?

The Court: February 14th, if I remember. [77]

"A. February 14, 1941.

"Q. Very well.

"A. And I said, 'Mr. Weeks is your operator there, is he not?' And he said, 'Yes, he is, but he hasn't paid us any royalties, He is doing fine, however.' Mr. Martinez told me that.

Mr. Martinez said any squawks that they had were from poor sports who were not willing to work.

I talked with Mr. Talbott on March 26, 1941.

"A. Mr. Talbott came in to see me at my office on the 7th floor of this building, in response to a letter I had sent him several days previously, on March 26, 1941.

"Q. March 26, 1941?

"A. Yes. He told me that he had been with the old National Directory Systems and had resigned from that company eight or nine months before Ralph Young took it over in March 1938. He said the company had been all right, and had operated successfully during the time he was with it. And he told me that Direct-U-Systems was his business; that he was president, and Robert Johnstone was vice-president, and Helen Fawkes was secretary and treasurer. He said it was capitalized at \$25,000, one dollar par stock; that he held control of the corporation, 92 shares were

(Testimony of N. N. Edwards.)

issued, 45 to him and 45 to Miss Fawkes, and two shares to Johnstone. I asked him where I could locate Mr. Johnstone, and he said he didn't know, but he could be reached at the office most any time.

"I asked him how many employees he had at that time for Direct-U-Systems, and he said they had none at that time. [78]

"I asked him about his salesmen, and he said A. A. Martinez was salesman for him, and was earning a 30 per cent commission, and there was another salesman by the name of R. R. Bryant.

"Q. Bryant?

"A. Bryant. R. R. Bryant; that he, likewise, was making 30 per cent commission, and at that time they were advertising for him in Illinois. He said he had Mr. Marsh working for him for a while as a salesman. He said he also had Norman H. Marshall with him. He said Mr. Marshall had worked for him at different times; that he was not with him at that time. He said, "I see him every few days." That when he was with Direct-U-Systems he acted as a sort of overseer over the fellows out on the road. Also, that he had handled the San Francisco territory; that he had known Mr. Marshall for 15 years, and was a personal friend of his of long standing.

"I asked Mr. Talbott, 'How many franchises do you have open at the present time?' His reply was 'Only five doing any good.'

(Testimony of N. N. Edwards.)

“ ‘Who are these five and where are they located?’ I asked him. He replied that it was against the policy of the board of directors to give these names out. He said that all franchises were passed upon by the board of directors, and recorded in the minutes of the company.

“I asked Mr. Talbott, ‘Do you know of anyone who ever got his \$1,500 back on this deal?’

“His reply was, ‘There must be several. They [79] put in the boards,’ he said, ‘there has been no holler from them.’ On top of that he said, ‘They have not paid us royalties that were due us.’

“Mr. Talbott said ‘There is no profit to us on advance rentals. We must have the advertising royalties to make any money on these deals.’

“ ‘Who are these persons who have put in boards and haven’t complained to you?’ I asked Mr. Talbott. He replied that is a question the Better Business Bureau has asked us continuously and we have adhered to the policy of the board of directors in not giving this information out. One man, he said, told him verbally he had made his \$1,500 back. ‘He signed a repurchase agreement with us. He is in the Army now.’ ‘What is his name’ I asked Mr. Talbott. Mr. Talbott’s reply was ‘If I find out where he is located I will tell you his name.’ Mr. Talbott said he received no regular salary, he takes out a little money from time to time. No one was on salary there in the company except Miss Fawkes. I showed him photostatic copies of letters, from the Multnomah Ho-

(Testimony of N. N. Edwards.)

tel in Portland and the New Washington Hotel in Seattle and he stated, 'These are old forms from the old National Directory Systems kit. I thought we had torn all these up, didn't know any of these were out, didn't know Mr. McReynolds had these.' I had told Mr. Talbott [80] I had withdrawn them from the McReynolds kit.

"Q. On that point, were those the same photo-static copies as is evidenced by Government's Exhibits 58 and 59 that I have before me?

"A. Those are the two, yes, sir. I asked Mr. Talbott 'Who is this Mr. A. Kane the addressee of these letters?' His reply was he was the vice-president of the National Directory Systems, or had been the vice-president. I asked him 'Who makes these directories for you?' He replied, 'They are made by the Hayes Cabinet Works on Glendale Boulevard, the woodwork. The maps were made by the California Blueprint Company, they are hand drawn and they charge \$50 to \$55 for the work.' He said they hired electricians when necessary to come in in the evening and wire the cabinets for them. I said to him 'Have these directories ever been patented by you or by the company?' He replied, 'The only thing we have patented is the card changing device. That is patented.' I said to him, 'I would like to look over the files, particularly the minutes and correspondence, in order to ascertain what success your franchise holders have had and where they are located. Will you let me do this?' I asked



(Testimony of N. N. Edwards.)

Mr. Talbott, and his reply was, 'As far as I am concerned, you can come out to the office and have complete access to [81] records. We have nothing to conceal. However,' he said, 'we will have to take this up with the other members of the board of directors.'

"In the conversation we had at that time he referred to Mr. Weeks and said that he was their New York operator and was doing real well. I said to Mr. Talbott, 'That isn't the way I understand the situation.' Mr. Talbott replied, 'He started out fine. We shipped him five boards. He started tinkering with the directories and got them out of order. Those franchise holders will not leave the directories alone. Weeks,' he said, 'had not paid him any royalties at all. I asked Mr. Talbott 'how many boards does the company have installed now?' 'He said 15 out with stereopticon slides instead of the rotating machine, and a great many more of the old type in addition.' I asked him, 'Have you ever received royalties on these?' And he replied, 'No, we have never received royalties from anyone.' I said to him, 'I notice most of the letters sent out by the company are signed C. W. Talbott.' I said to him, 'However, there seems to be a variance in the handwriting.' I had about 150 of these letters on my desk. These were letters sent out by the company to various individuals, particularly franchise holders. I said to Mr. Talbott, 'I want you to look these over and tell me who actually signed the letters.' Mr. Talbott picked one letter [82] at a time and set



(Testimony of N. N. Edwards.)

aside ten which he said he had actually signed C. W. Talbott, and in another pile he had 20 which he said Miss Fawkes had signed C. W. Talbott, and in the other pile all the rest had been signed by Norman H. Marshall. That is, C. W. Talbott was signed by Mr. Marshall.

“I said, ‘If you own this business and are running it why don’t you sign the letters?’ He replied from August 1940 to the first of this year he was home sick. He said, ‘I also have worked in the shop and asked Marshall to help with the handling of the mail.’ I called his attention to initials on the lower left hand corner of these various letters, particularly a capital T in a bar and a capital F. I said ‘Then that doesn’t actually mean that Talbott dictated the letters to Fawkes?’ ‘No,’ he said. He said he dictated most of them, however, Marshall also dictated some and in every instance the T:F was placed on regardless of who did the dictating. That was the substance of my first interview with Mr. Talbott.

“On the following day Mr. Talbott telephoned me at my office and said he had been thinking the matter over and thought possibly it might be helpful if they would prepare and send to me, if the company would prepare and send to me a statement.”

At the time Mr. Talbott was discussing the various letters to which his name had been signed, he designated the ones he had signed and I put ‘C.W.T.’ on each of them. [83]

(Testimony of N. N. Edwards.)

“A. Yes, sir. Mr. Talbott told me on the phone he had been thinking it over and thought it would be helpful if he would get up a statement showing the dates the cabinets were shipped, also copies of releases signed by franchise holders which certified to satisfaction of services rendered by the division representatives. That is, he said he would prepare it on Weeks, Schutt and McReynolds. I suggested to him while he was at it he also submit the same data regarding Mr. Burke at San Francisco. He replied to this that this deal had been closed, a repurchase agreement had been signed, a new operator was there, there was no business yet, but nevertheless the new operator was satisfied. I told him nevertheless I would like the information on that deal. I said, ‘I would like the information on the Burke and Williams deal in Oklahoma City, also Byron Kennedy in Ohio.’ He said he would get these up for me. In connection with this telephone conversation he said he had mentioned to one other board member my desire to get the names of franchise holders. This other board member said, ‘You know what happened when we did this before. One dissatisfied operator met a satisfied operator and made the latter dissatisfied.’ However, Mr. Talbott told me on the phone ‘This is not final, we are having a board meeting and will consider your request further.’ [84]

“On April 5th Mr. Talbott phoned and said he had prepared the data he promised for me and would like to bring it in. I told him it would be

(Testimony of N. N. Edwards.)

all right with me if he cared to come in the following morning. I wish to make a correction. He called me April 4th and came in April 5th, and brought a large envelope containing various papers which he gave to me and said at that time the company wanted to cooperate and would like me to examine everything it had including the minute books of the corporation."

"On May 22, 1941, I telephoned the office of Direct-U-Systems and talked with Mr. Talbott. I told him he had been in my office on April 5, 1941, and at that time he had told me it had been the decision of the company to let me have free access to all their books and records and that I would now like to avail myself of the opportunity of looking them over. I said 'Will it be O. K. for me to come out and look over the papers?' He said, 'Yes, indeed, it's O. K. with us.' I said to him, 'When can I come out?' He said, 'Any time you say.' I said, 'How about tomorrow morning?' He said, 'Fine, we'll be looking for you.'

"I called at the office of Direct-U-Systems on Beverly Boulevard the following morning, May 23, 1941. There was no one there except Mr. Talbott. And that was in the front office. I engaged in conversation with him in connection [85] with which he told me there was no patent on the board, that none was pending on the board. He said, 'We never tell anyone the board is patented.' He said, 'We do have a patent on the rotator machine applied

(Testimony of N. N. Edwards.)

for but that has not yet been granted. It is pending.'

"I said, 'While I am here I want to examine if I could all the correspondence and papers relating to that patent.' He turned to the safe and said, 'I am sorry, it's locked up and I can't get it for you.' I asked him, I said, 'There had been a board for a short time at the Plaza Hotel in San Francisco. Who put that in?' He said, 'That was either Mr. Brown or Mr. Burke.' I said, 'Will you please get me Mr. Brown's file so I can look that over?' He went back into a rear room and was gone for three minutes and came back and stated 'I don't know just where the secretary filed this. It will take me a little while to find it.' I told him I was in no hurry, I would like to see it.

"He returned again to the rear room and after being away for two minutes came back again and said 'I just can't find it. We will have to get it for you.'

"I asked him how they placed these ads for franchise holders and he said they placed them through the Pacific National Advertising Agency, which was merely a name used by them and was not a corporation. I told him about [86] the sale canvass which had been given to C. S. Wallace, described it to him. He replied, 'By George, I never saw it.'

"I asked where A. A. Martinez was at that time and he said, 'I don't know where he is. He is not working for us any more. He left here last fall.'

"A. He said Martinez had gotten into some dif-



(Testimony of N. N. Edwards.)

ficulty. He said, 'I had insisted that he either clean it up or get out and he got out last fall.' He said Mr. Bryant was then their only representative, that he was in the Northwest and would be in Salem, Oregon soon. I said, 'I want to find out who the successful franchise holders are. You told me I could get some and they were recorded in the minutes of the books.' I said, 'Let me see those minutes.' He said 'They are locked up in the safe and I can't get them for you.' He said, 'If you call next week in advance I will get them out for you.' I said to him then, 'Mr. Talbott, I would like to have a definite, specific answer as to whether I can get the names and addresses of these franchise holders.' And he said—I can't tell you what he said. My notes don't go that far.

"Q. Go ahead.

"A. We made another trip to the rear of his shop. He was showing me one of the rotating machines and stencilled or cut into the metal frame was the following words which I copied [86A] off 'Patent pending No. 161,' which appeared as 'Pat. Pend. No. 161.' That was taken off the rotating machine. I told Mr. Talbott I wanted to interview Mr. Marshall and Miss Fawkes and himself and would prefer to have the three of them together but would handle interviews separately if it were more convenient. Mr. Talbott said, 'Well, Mr. Marshall is an uncertain quantity. He is in and out. It is easy for Mr. Talbott and possibly Miss Fawkes to join in the interview, but it may be difficult to



(Testimony of N. N. Edwards.)

get Mr. Marshall to make a definite appointment, that is, the joint interview.' He said Mr. Marshall was in that office that morning but had gone out to Hollywood and didn't know when he would be back. I asked Mr. Talbott to have Mr. Marshall phone me so we could arrange for an interview, and he said he would ask him to do this.

"I wanted a definite answer as to whether or not he could give me the names and addresses of the franchise holders. He said 'A definite decision will be given to you whether you are to be given the names and addresses of the franchise holders.' Mr. Talbott said it was O. K. with him but it was not O. K. with the other two members of the board."

I talked with Mr. Marshall on June 16th, 1941. He told me he had no connection at all with the Direct-U-Systems for the last four or five months, and that his only interest in the Direct-U-Systems was through the fact that he was a personal [87] friend of Mr. Talbott. He said Mr. Talbott had been a very dear friend of his and had done him several favors which he greatly appreciated, and in return therefor he was assisting at times in running Direct-U-Systems. He said Mr. Talbott's money was in the company, although Mr. Johnstone had a little money in it, also Miss Fawkes, but that her share was not great. I asked him how much money was invested in the business and he said that possibly \$25,000, altogether, would take care of it." (Page 597, Tr.)

(Testimony of N. N. Edwards.)

“I asked him what his connection with Direct-U-Systems had been and he said at different times he had served as sales manager; that he never devoted full time to it; that instead of receiving a salary he received a commission of five per cent from everything that came in from franchise holders, including any royalties that might be due. I asked him whether the company had ever received any royalties on advertising and he said that it had been so long since he had looked in the books that he wouldn’t be able to state exactly what the situation was, in this respect. He said that it was handy for him to render what assistance he could to Mr. Talbott inasmuch as he, Marshall, officed out there at the time. I asked Mr. Marshall to explain the situation of patents on the equipment of Direct-U-Systems and he said there were no patents and never had been.” (Page 598, Tr) “That the directory was not patentable at this time, that many years ago the original patent on such a directory was taken out by a fellow in Munich, Germany, but it had run out and was no longer in effect. He said that the National Directory Systems and the Direct-U-Systems had made an effort to patent the board but had not succeeded. Mr. Marshall said the rotator was patented, that it had been patented possibly one year ago through an attorney whose name he thought was Coleman. I asked him whether he personally knew of any franchise holder who had been able to make \$6500 per year. He replied although he felt certain they had, none of them had ever

(Testimony of N. N. Edwards.)

admitted it. He said [88] there was no doubt in his mind that Mr. Weeks, in New York City, had made plenty of money on his franchise and said it was ridiculous to believe a man who had as many boards out as Mr. Weeks, was not collecting royalties on them. He said he suggested to Mr. Talbott that he get out of the business because it appeared impossible to get the operators to send in their royalties. I asked him about National Directory Systems, and he replied that everybody in that company had made money on the enterprise. He said that his connection with the National Directory Systems was that of manager, and that he was with this company for practically its lifetime, and that while he was with the National Directory Systems they paid a salary and also a commission. I asked him if the National Directory Systems had been such a money maker why he had given it up, and he said that Mr. Talbott ran out of liquid cash and his assets became frozen and it was necessary for him to sell the corporation.

“On this occasion I handed Mr. Marshall 228 letters from Direct-U-Systems to franchise holders and, as Mr. Talbott had done, he looked at each letter and set in separate piles those letters signed by the various individuals. Each one of these letters bore the name of C. W. Talbott in pen and ink, 186 of which Mr. Marshall told me he had signed the name C. W. Talbott to. Mr. Marshall said that he had a power of attorney from Mr. Talbott to sign his signature; that Mr. Talbott, being an old man,

(Testimony of N. N. Edwards.)

generally left the office at 3:30 or 4:00 o'clock, also that Mr. Talbott had been absent from the office at that time on account of sickness.

"I mentioned to him the franchise holder at Dayton, Ohio, by the name of Byron Kennedy, and that Kennedy had not been able to make any money on his deal. Mr. Marshall's reply to this was that Kennedy had skipped out and had no kick coming.

"With reference to A. K. Barnes, of Pasadena, he said [89] this man had no complaint, that they had done everything for him even to the extent of humoring him by going out and buying up an old automatic directory in the Alexandria Hotel.

"C. I. McReynolds, he said, was just plain nuts. 'He is crazy. McReynolds had ordered a board, refused to take it, and deliberately abandoned his franchise.'

"Mr. Marshall said that Ralph H. Bergen also had no squawk, that Bergen had come down here and signed a contract after very careful investigation of the business; that a splendid directory was in the Sir Francis Drake Hotel and the equipment including the rotator machine gave him no trouble. He said that for no reason whatever, Bergen went back to his old job, deliberately walking off and leaving the territory.

"Mr. Marshall said that Mr. Weeks, in New York, complained that the company would not let him handle the electrical works there and that no one could make him, Marshall, believe that he, Weeks, didn't make plenty of money off of his franchise.



(Testimony of N. N. Edwards.)

“Ralph Burke in San Francisco, he said, certainly had no squawk coming. Burke, he said, was a blackmailer.” (Tr. pp. 603, 604.) “Mr. Marshall said that he, Marshall, was the one who got the lease on the Sir Francis Drake Hotel. He said he finally got the Sir Francis Drake Hotel to sign up and that Burke went out and sold 15 or 20 ads without any assistance from anyone; then he just blew up and went back to the shoe business.

“I asked Mr. Marshall, ‘Who told you they placed the directory in the Plaza.’ He said the directory had been placed in there by Mr. Browne. He said that the company had settled with Browne over his, Marshall’s, protest.

“With reference to T. E. Schutt, Mr. Marshall told me that this man was O.K., until the Better Business Bureau meddled. He said they were the biggest bunch of grafters in the United States, and if anyone should be investigated the Better Business Bureau [90] should.

“With further reference to his signing Talbott’s name to letters going out from the Direct-U-Systems, Mr. Marshall stated every letter sent out which he signed was the result of a discussion with Talbott either before it was dictated or afterwards. In other words, what was contained in the letters was based on Talbott’s opinion and judgment in the particular matter. I asked Mr. Marshall where Martinez was, and he said he didn’t know, he hadn’t been with them since right after the first of the year.

“Mr. Marshall identified a number of letters



(Testimony of N. N. Edwards.)

signed 'R. Johnstone' and said that he, Marshall, had placed Johnstone's name on the letters but that he had discussed each one of these letters with Johnstone, that Johnstone knew nothing about the business at all and would say to him in every instance, 'I don't know a darn thing about it; you go ahead, whatever way you think best'. (Tr. pp. 604, 605.)

"I showed Mr. Marshall a number of letters going out from the National Directory Systems, signed A. Kane, and he told me that during the time he was with National Directory Systems he had signed all the letters 'A. Kane'. I asked him where Mr. Kane was, and he said he hadn't heard from him or seen him for two or three years; that he was quite an old man." (Tr. p. 606.)

"I had another interview with Mr. Marshall on November 7th, 1941. On that occasion I inquired of Mr. Marshall has connection with the Automatic Map Company. He said that the reason he had turned the old National Directory Systems over to Mr. Young was that he, Marshall, owed some \$3000 for paper, and so forth, in connection with the operation of the National Directory Systems and that he had not been able to pay these accounts. He said that Ralph Young took over the National Directory Systems with the understanding that he, Young, would pay off the bills, and that Young did not continue with the National Directory Systems but [91] instead started the Automatic Map Company; that toward the end of the existence of the Automatic

(Testimony of N. N. Edwards.)

Map Company, Young was in desperate condition and that he, Marshall, took about \$800 worth of the stock." (Tr. p. 607.)

"On March 31st, 1941, I talked with Mr. Marsh, who said that he became acquainted with Mr. Marshall prior to 1935; that he was an attorney and did some legal work for Marshall and an acquaintance grew up between them. That in 1935, Marshall was then running the National Directory Systems and that as a result of his acquaintance he became district manager for the National Directory Systems in the selling of franchises. He said that he made one or two trips to get the hang of it and finally, in 1935, closed his law office and became a franchise salesman, or rather a district manager for the National Directory Systems in the selling of contracts for franchises, and that he became the first salesman the National Directory Systems ever had. That as a result of Ralph Young taking over the National Directory Systems, he thereafter became a salesman for the Automatic Map Company which Young had organized. He worked for that company until January of 1940, and then went to work for Mr. Marshall in the Direct-U-Systems; that he was on the road for about six months and came in off the road about July, 1940. I asked Mr. Marsh if in all his experience with the National Directory Systems and the Direct-U-Systems whether he had known, or whether he knew at that time, of a single successful franchise holder. In reply he mentioned the name of Mr. Nash, at Newark, New Jersey. He said that

(Testimony of N. N. Edwards.)

this man was a franchise holder of the old National Directory Systems and had placed three installations. I told him that it did not appear from my information that Nash had been successful but on the contrary had lost considerable money, to which Mr. Marsh replied, 'Well, he placed three installations'. I said to Mr. Marsh, 'We cannot judge the success of a franchise by the number of installations but by the permanency of the business and the amount of money the franchise [92] holders would be able to earn from it.' I said, 'Mr. Marsh, on the basis of a business being permanent and paying profits to a franchise holder, do you know of anyone who has been successful?' He said on that basis he did not know of a single successful franchise holder. He further said that the National Directory Systems were always broke. I asked Mr. Marsh why he quit the National Directory Systems in 1937, and he said that he was in Nebraska at that time trying to close a deal and a report came through, he believed from Dun & Bradstreet, which linked Mr. Marshall with the company as sales manager, and he became discouraged and quit." (Tr. p. 610.)

"Mr. Marsh told me that it was true that the Direct-U-Systems had had lots of trouble with the rotator machine. I showed Mr. Marsh the photostatic letters from the hotels at Portland, Oregon, and Seattle. (Government's Exhibits 57 and 58.) He said he had never carried these in his kit; the only photographs he carried were those of the Park Central

(Testimony of N. N. Edwards.)

cabinet, the Imperial Hotel, Times Square, and Sir Francis Drake." (Tr. p. 611.)

(At this time the indictment against the defendant Helen May Fawkes was dismissed by the Court. (P. 613.) [93])

By Mr. Neukom

"The Government now rests."

Whereupon motions were made by each of the respective counsel for dismissal of the indictment as to each of the remaining defendants and a motion for the court to instruct the jury to find each defendant not guilty upon each count in the indictment.

Whereupon Count 6 and Count 7 were dismissed as to each of the defendants and an exception noted for the refusal of the Court to dismiss the remaining counts as against each defendant.

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Whereupon

RALPH YOUNG

called as a witness on behalf of the defendants testified as follows:

(P. 631) At one time I owned the National Directory Systems acquiring a controlling interest in it in March of 1938. I sold the design patent which is Government's Exhibit 30, to a man by the name of Caldwell. I put in a good deal of work improving the device. (P. 634)

(Here the witness goes into detail as to the improvements which he made.)

(Testimony of Ralph Young.)

This equipment is custom built in each case. There is no possibility for equipment being built for one person and utilized by another without its complete correction. The map would be useless if moved into another hotel because the hotel is the center of that map. The cabinet and equipment weigh between 400 and 500 pounds. The wood is solid hardwood not veneer. In this particular case, it was walnut. The developments and improvements were consistent. We never stopped developing.

(Here the witness gave the various items of expenditure for the various parts of the board.)

I have had experience selling advertising to different merchants in different parts of the United States. Certain spaces [94] were reserved as free installations on the map for points of public interest.

### Cross Examination

By Mr. Neukom:

I do not know whether anyone is still operating these maps or not. I do not have any of the books and files. At different times I received royalty payments from operators of the Board. A profit could be made if we sold only half of the spaces on the board. (P. 653) Of course if a man could not make any money out of this device it was not of any value to him. (P. 657) Sometimes it took from 30 to 90 days to make a cabinet. I do not believe the National Directory Systems franchise holders made any money but I thought at the time that 40% to



(Testimony of Ralph Young.)

50% were successful. I bought the National Directory Systems stock, that is 75% of it, for \$3500. Sales got between 10% and 15% commission. I am not sure but I think Mr. Flagg is the only one who ever sent me in any royalties. Outside of the Boston installation, I don't believe that I received any royalties during the time I operated the Automatic Map Company. (Tr. p. 660.) I received a letter dated January 22, 1940, from Mr. Glagg of Boston; this is the same Mr. Flagg of whom I have testified, from whom I have received royalties. (Tr. p. 670.) Here the Government introduced in evidence the letter referred to, being Government's Exhibit 79, as follows:

"Dear Mr. Young:

"Thank you for yours of the 19th. I wish you were right on the figures you quote in same, but unfortunately you are not. Instead of selling 60 in Boston it was less than 35, and instead of 40 in Prov."—I assume it is Providence.

Mr. Stoddard: Yes .

Mr. Neukom: (Reading): ——"It was just over 20. In other words, around 55 contracts in a little over 9 months, and some of those for only 6 months. Two of us have been here since the day after Christmas, and one week three of us were here, and we [95] have only sold 10 contract,"—

Gentlemen, this letter is on the stationery of some hotel, apparently, in Hartford, Connecticut.

—"to date or \$850, and deduct hotel bills and carfare of \$4.00 a week apiece, and you will get our

(Testimony of Ralph Young.)

picture. I think this proposition shows Fred and I a profit of \$2400 December 31st, without either of us drawing out a cent for living expenses or salary. We have stuck to it, feeling that we would probably go in the hole the first year but if it was any good it would be easy to renew these accounts next year, get more, and perhaps in a few years we would have something.

“Now, deduct my expenses down here for five weeks and see what we have left.

“If the customers we have on the Boston board were satisfied with the service, if it was bringing them business, and if they would pay us what they owe us, we would feel better. We are after them all the time to pay up, and by a big majority they want us to forget their contracts and take their names off.

“I forgot to tell you that \$2400 profit on the other side was a paper profit (no allowance for bad debts. )

“Now, I have definitely made up my mind, and I think after due consideration that this proposition, as we have it, will never make any money for us, and I am not going to spend any more of my money after I finish in Hartford to put other boards out in other New England cities. It is just foolish.

“In the first place, this idea is not new. Fifteen years ago they tell me they sold one down here to be placed on a street corner near the depot. A number of these merchants went for it—electric lights,

(Testimony of Ralph Young.)

and all. The kids were the only ones to use it, and they soon broke it up.

“In your letters you suggested depots and airports. What do you think kids would do to one of these in the South Station [96] in Boston. I tried getting a lease there, and where it would be seen and used, and they wanted \$10,000 rent. That is no ideal dream. Of course they said I would have to take much more, very much more space than we needed.

“Large stores in every city we have been in just laugh at this idea. They are not interested in the type of traveller stopping at these small city hotels, just passing through. In large buying centers, like Boston, New York, Chicago, etc., I still think it has merit in good hotels. But hotels as this one, filled with salesmen and insurance men, conventions made up mostly from Connecticut people, etc., I must agree after staying here five weeks, if I was a merchant I wouldn't go for it at \$85.00 a year. \$25.00 would be top. Now, that leaves certain kinds of doctors, automobile concerns, and such. These hotels, most of them, won't let you put on eating places, package stores, beauty parlors, etc., and the latter are hard to get anyway, because they always have one in the hotel. In fact, most stores that naturally do business with hotel people are either in the hotel or right near it and are paying high rent to get that business, and try to get them to pay any more for our service.”

I will skip some, gentlemen.

(Testimony of Ralph Young.)

“Of course, your price on these boards is way out of line and that would have to be adjusted. If that board in the Copley had to”——

I can’t read this word.

——“for more than \$350, I wouldn’t think so much of the proposition. You could get three banks in Boston, if you could get any; Springfield, 2; Lowell, 1. God, there are plenty of them if you could work it, and they would repeat. It wouldn’t be hard selling, and you could keep a bunch of salesmen working if you had the right setup. I believe you could in most places [97] get \$50 a year, but you would need a 25 per cent commission for your salesmen.

“Say you could build a 50 space board for \$250 and a 100 space board for \$350, your cost, you charge us the cost of the board so you have no investment, and then take 5 per cent royalty, and we put out 25 or 50 in New England and keep building. We have got to get the big slice to cover selling costs. You wouldn’t have any books to speak of to get out, use the same books over and over, just little working cabinets for salesmen.

“Now, if we could work out something like this, and could put it over, we would both make some real money, and over a period of years I don’t believe it would be necessary to pay the banks anything for rent, give them free their location and all their branches, and we could show on the map. Of course, if they insisted on rental we could write that in whatever they insisted on. But sell them on

(Testimony of Ralph Young.)

the idea of service to their customers, their branch locations.”

Skipping.

“I would like to know what you think of this idea as soon as possible. Unless I am crazy it looks to me as if it had real merit, and the present one has little or none. Kindest regards.

“Sincerely yours.”

(Tr. pp. 671, 672, 673, 674, through line 7 of 675.)

### Redirect Examination

Sometimes people collected money from the board and then walked off and never sent any payments in to me. We had the same method that the Direct-U-Systems had. (P. 680.) We did not sell the advertising boards. We sold them franchises.

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### CHARLES W. TALBOTT

called as a witness on behalf of himself, testified as follows:

I am one of the defendants in the case and had been [98] connected with the National Directory systems at one time as president. (P. 682.) I did most of the mechanical work on the cabinets. Sometimes the wooden rollers and rubbers would mar the cards and they would become discolored. Then a Mr. Painter, an engineer, now in the Army, was employed to make mechanical corrections. I think that drawings were submitted to the Patent Office on



(Testimony of Charles W. Talbott.)

this animator device but so far as I know it had not been patented. I never represented to anyone that it was patented. I recall a [98-A] conversation with Mr. Schutt in the presence of Mr. Marshall. I introduced Mr. Marshall and not as anybody else. I told them he was General Manager of the company and that was true. Mr. Marshall looked after the business, the correspondence, and practically all of that business of that nature. (Tr. p. 690.) Mr. Painter was our engineer on this device, and I think I introduced Mr. Marshall to Mr. Schutt half an hour after I introduced Mr. Painter to him. The Schutts said they were dissatisfied and wanted their money. Mrs. Schutt did the talking. There were various conversations with these people. He said he had been told by the salesman Morgan that there were no other devices like this out and I told him Mr. Morgan should not have made that statement. Schutt said he was not interested in looking at the work nor any improvements that were going on. All he wanted was his money back. They made a demand for their money and I told them I could not give them an answer as to that, that that would have to be passed on by all of the members of the board of directors. (Tr. p. 698)

I never told either Schutt or his wife that they would be given a check for \$1500. I did submit to them a repurchase agreement and told them it would be thirty days if they wanted to enter it before one of our men could be in the territory. I told them

(Testimony of Charles W. Talbott.)

we could not put another man in that territory as long as they had the contract, and I do not agree with their version of our conversation. I know that Mr. Marshall frequently signed my name to many letters that were sent out. Sometimes I was familiar with this correspondence. We supplied five units of equipment to Mr. Weeks in New York. (P. 702) There never was any time when equipment was requested by a franchise operator that the equipment was not furnished and we were at all times financially able to supply the equipment called for. Nor did I ever tell anybody to represent that this device was covered by patent. No new contracts have been made [99] since the Government required us to turn over our books and records. I received the following letter under date of October 17, 1940:

(Defendant's Exhibit No. 3-M.)

"Dear Mr. Talbott:

"It is a real pleasure to write you this letter. The directory arrived today and is in operation though not on public display. The hotel engineer was very busy so my salesman and I set the directory up in one of the hotel parlors.

"It is even more beautiful than I had expected and is operating perfectly so far. I like the 8x10 cards very much, and so have those who have seen them. Mr. Beres is pleased with everything and wants a couple of cards made for other hotel activities. We will have the photos taken as you wish and I will probably have some newspaper publicity too.

(Testimony of Charles W. Talbott.)

“Everyone who has seen the directory has been delighted with its beauty and with the service it offers. There is just one improvement that I would like to suggest at this time. There should be some provision made to better light the face of the directory and subscriber listings. What do you recommend?

“I am enclosing three other contracts we have sold since I last wrote you. Also the actual contract for Dr. Burkhardt whom we already have listed. I would like to have your artist write a suitable card for Al Allen Dancing Academy. I will write you as we proceed. Yours very truly, Byron Kennedy, “Direct-U-Systems of Ohio.

“P.S. Please write a card for Gem City Hat and Shoe Rebuilding Co.” [100]

I would say we spent around \$1,000 in the development of the rotator or animator. (P. 723) I think there were eight or ten franchises sold in addition to those that had been testified about. I would say Mr. Kennedy was a satisfied customer and I do not know that he ever abandoned the board. I think Mr. Marsh made the sale to Mr. Kennedy. I am not sure as to the amount, whether it was \$750 or whether it was \$1500. I remember a sale having been made to Mr. Broderick of Detroit—I think the amount involved was \$1500. From his first letter I would say that he was successful, but from his last letter he began complaining. I recall a sale to one B. W. Helm, for the State of Wisconsin. I think Mr. Marsh made that sale and the amount involved

(Testimony of Charles W. Talbott.)

may have been \$1500. I don't think the installation was ever made. I do not recall a sale to a man by the name of Maurice Bright of Minneapolis. I do recall a sale to one James Gregory of Madison, Wisconsin—the amount of money involved in that sale may have been \$1500. I was ill about this time and a number of those things did not come to my attention. My illness took place in August of 1941; prior to that time I had been in fair health and closely associated with office affairs. (Tr. pp. 731, 732.)

I think I remember a sale to Mr. E. F. Bader, but I don't remember the amount—it probably was \$750. I remember a sale on December 29th to J. H. Hillard of Dallas, Texas. I think he put up a deposit of something like \$250 or \$300. I do not remember a sale to Bernard Ghio of Texarkana, Arkansas, but I would not say that there was no such sale. I remember a sale on January 17, 1939 to E. J. Cheetam of Independence, Missouri. As I recall, the amount involved was \$1500—I think it was made by Mr. Martinez. I remember a sale on September 14, 1939 to George M. Humbrecht of St. Louis. I do not recall exactly the amount of this sale but it may have been \$1500. I remember a sale on or about January of 1940 to one Robert Langstaff of Pittsburgh, Pennsylvania. I'm not quite [101] certain as to the amount but I think it was \$1500." (Tr. pp. 733, 734.)

I recall a sale to Edith I. Fitch of Palm Beach, Florida, on February 10, 1940, in the sum of \$1500

(Testimony of Charles W. Talbott.)

—I think Mr. Wallace made that sale. I remember a sale on February 20, 1940 to Wilbur Eason, Jr., of Amarillo, Texas. Mr. Martinez made that sale and I think, perhaps, the amount involved was \$750. I recall a sale on April 5, 1940 to J. E. Wagoner of Kansas City, Missouri. Mr. Martinez made that sale and the amount involved, as I recall, was \$1500. I do not recall a sale on or about April 17 to T. C. Jones of Lynchburg, Virginia. There may have been such a sale made by Mr. Wallace for the sum of \$1500—I am not sure. I think I recall a sale made about April 23, 1940 to R. H. Michaels of North Liberty, Indiana. (Tr. p. 735.)

I believe Mr. Bryant made that sale and the amount involved may have been \$1500. I think I recall a sale made on May 29, 1940 to M. A. Green of Franklin, Tennessee. The amount involved was \$1500, if I recall correctly, and I think Mr. Martinez made the sale. I recall a sale to K. R. Lawless of New Orleans, for the State of Louisiana. The same was made by Mr. Martinez and I think the amount involved was \$1500. (Tr. p. 736.)

In December of 1940, a sale was made to one Phillip G. Bittener of Spokane, Washington. I'm not positive, but I think Mr. Bryant made that sale and the amount involved was \$1500. A sale was made December 12, 1940 to one E. M. Groble of Spokane, Washington, for the territory of the State of Oregon. Mr. Bryant made that sale and I think it was for \$1500. I wouldn't know how many persons whose names have been enumerated were success-



(Testimony of Charles W. Talbott.)

ful in their venture. I was familiar with some of the files and records—the files were in the office at all times and I had access to them. (Tr. p. 737.)

Upon numerous occasions I had met with the board of directors and all of the contracts I have mentioned here were [102] approved. I was also present at the meetings of the board of directors when all of the employment contracts for Mr. Wallace, Mr. Morgan, Mr. Bryant, or Mr. MacNeil and all other salesmen were approved. The board of directors consisted of myself, Miss Fawkes, and Robert Johnstone. Johnstone was about the business very little—he knew very little about it. (Tr. p. 738.)

It is true that the majority of the meetings of the board of directors were held by Miss Fawkes and me. As a usual thing the corporation paid its obligations promptly. (Tr. p. 739.)

The directories which I have mentioned or testified about at Evansville, Indiana, Minneapolis, and the Cosmopolitan Hotel at Denver, are all installations that have been made subsequent to this investigation, that is to say, the franchise was made before the investigation but the installation itself had not been made. I do not recall among the 32 sales mentioned how many boards had been built—our shipping records would show. All of the records and files of the corporation were delivered to Mr. Edwards, the Postal Inspector. (Tr. p. 741.)

## ALBERT A. MARTINEZ

called as a witness by the defense, testified as follows:

I was employed by the Direct-U-Systems as a salesman and started in 1938 and worked up until the time of the Government's investigation as such but not since. I remember Mr. Burke who visited me in San Francisco at the El Cortez Hotel. I showed him the small model he had of the cabinet and typed him up figures showing what he should make. I agreed to get salesmen for him and got them. (P. 753) Then I told Mr. Burke to go home and think the deal over. (P. 758) and later he brought his wife in and I went over the proposition with them again and a contract was signed and he gave us the check and I mailed the check to the company. (P. 761) I went around to some of the hotels and I got some leases for him. (P. 764) I trained the salesmen to the best of my ability; showed them how to sell it and how [103] to present it. This was after he had signed the contract and turned over the \$1,000 to me. The usual agreement acknowledging the work that we had done was signed by Mr. Burke. I never told Mr. Burke one way or the other whether the device was patented, but I carried information with me to show that the company was actually in operation. (P. 770) and I remember Mr. Brown and the conversation I had with him was about the same as with everybody else and I sent his money in to the company. (P. 775) I never to my

(Testimony of Albert A. Martinez.)

knowledge misrepresented any of the equipment or the deal while I was connected with the company.

### Cross Examination

By Mr. Veale:

Prior to the time that I became associated with the Direct-U-Systems I had been associated with the National Systems. I became associated with the National Systems about two months after they started. I went out and contacted the hotels, tried to get leases on hotels, and then went around and called on some of these people and tried to help them get their sales force and train them and help them with it any way I could. Yes, the people I refer to were those who had purchased franchise leases. I became familiar with the methods of operation of the National Systems—I studied it. The plan was quite similar to the Direct-U-Systems—the method of doing business was practically the same. The National Systems ran ads in the papers, which were answered by various people and then letters were written to the various prospective purchasers when replies had been received from these ads. I had nothing to do with the preparation or publication of the ads. I knew they were running different ads in different places. (Tr. pp. 780, 781.)

I have seen some of the ads because lots of times I would show them the ad and ask them if they had received that ad. I afterwards became a salesman, selling purchasing agreements or franchise agreements—I made quite a few sales. If I remem-

(Testimony of Albert A. Martinez.)

ber correctly, the first sale I made was at Toledo—that was in [104] February of 1936, and that sale was made to a man by the name of C. I. Malley; I think the amount involved was \$1500. (Tr. pp. 782, 783.) It was a fixed plan of the company to sell two cabinets; I never tried to sell a deal unless they had to take two boards. I made a sale in March of 1936 to a man by the name of E. F. Malley; if I remember rightly there was \$1500 involved in this sale. (Tr. p. 783.)

In June of 1936 I closed a deal in Pittsburgh, and I wouldn't swear to the man's name—it might have been John Hartley. I think the amount involved was \$1500. In August of 1936 I met a man by the name of R. E. Nash, of Maplewood, New Jersey. I cannot remember what territory we sold him, nor the amount involved but I suppose it was \$1500. (Tr. p. 784.)

In September of 1936 I met a man by the name of C. E. Bowers, Jr., in Baltimore, Maryland. I can't remember what territory was sold nor the amount of money that was involved—it might have been just like the other, \$1500. In September of 1936 I sold Mr. Harry Wood of Tacoma Park, Maryland, the territory of Rhode Island and Boston—there was \$1500 involved in that transaction, if I remember correctly. (Tr. pp. 785, 786.)

In September of 1936 I sold the territory of Philadelphia to one L. L. Edwards at Bayside, New York. I then met a man in Washington and told him that if he was interested, I had the Philadel-

(Testimony of Albert A. Martinez.)

phia territory open. I sold him the territory, I think, for \$1500—whatever it shows on the records. (Tr. pp. 786, 787.)

In September of 1936 I sold W. H. Northnagle of Baltimore, the territory of Maryland. I was asking him \$1500—I don't know what I did take, to tell the truth about it, but I know that I sold it. On October 20, 1936, I may have sold H. B. Row of Aberdeen, West Virginia, the west one-half of the state of Virginia. If the records show I did, I did. As I say, I don't remember all of these names of these different people. I am not sure that \$1500 was [105] involved, but if I sold him the territory that's what I asked him. (Tr. pp. 788, 789.)

In January of 1937 I met one S. L. Cohn at New Orleans, and sold him that portion of Louisiana south of St. Charles; the amount involved in that deal was \$1500. In March of 1937 I recall having sold W. D. Oliver the territory in Texas of Dallas and Fort Worth; I do not recall the amount that was involved in it but it was probably \$750. (Tr. p. 789.)

In that same month of March, 1937, I sold to one C. D. Murray of San Antonio, Texas, a portion of Texas immediately surrounding San Antonio. I remember the deal and I suppose the amount was \$1500. On April 9, 1937 I met one J. Kendrick Jones of Houston, Texas, or James, and sold him the territory of Houston, Texas for the sum of \$750. In July of 1937 I sold Mr. A. M. Gonzales of Se-



(Testimony of Albert A. Martinez.)

attle the territory known as the State of Washington, for the sum of \$1500—at least I suppose that was the deal. (Tr. p. 790.)

In August of 1937 I sold Mr. I. W. Smith of Seattle the territory known as the State of Oregon, for the sum of \$1500. In each of these sales that you have mentioned I used the same or similar tactics as were used in selling Mr. Burke—I had one setup, and that is all I went by. (Tr. p. 791.)

At the time I approached these various men whose names you have just called I had knowledge of the advertisement that they had answered. I had to have that in order to know how to approach them; there was no other way to get them. I tried to go over the proposition with them, from start to finish, so that they didn't have anything—I hit on all these questions so that they didn't have anything to ask me after I got through. I was thoroughly familiar with the plan of operation of the company. (Tr. p. 793.)

I would show them the profit they could make off of [106] one board if they put it in; then it was up to them, if they put in more boards they made more profit. When I first went out I think I started out on 20 per cent and a certain percentage of the money they received, that is, 20 per cent of the sales plus so much of the royalty. (Tr. p. 793.)

When the old National Directory went out of business, if I remember rightly, there was a period of three or four or six months that we were out

(Testimony of Albert A. Martinez.)

of business; in fact, I wouldn't go out on that kind of a proposition so they agreed to give us 30 per cent—a straight 30 per cent; even then I couldn't make any money. (Tr. p. 794.)

If I remember rightly, they wrote me once or twice they were giving me credit for a royalty, or whatever they collected. It was so little I didn't pay any attention to it. During the period between 1936 and 1938, I only received small royalties on two occasions, despite the fact that in the course of that time I had sold in excess of \$20,000 worth of franchises. I never inquired as to why I had not received any royalties—I was not interested much in that; I was interested in getting my 20 per cent at the time I made the sale. (Tr. p. 796.)

After I became connected with Direct-U-Systems I was on the road quite a while and I must have made a number of sales. I sold Mr. Browne in August of 1938 for \$1500. I do not have any idea of the aggregate number of sales made and the aggregate amount—I never kept track. It seems to me that I closed the territory of Minnesota but I do not remember the man's name; I might have received \$500—I don't remember. I recall having, on November 30, 1938, sold Mr. James Gregory of Madison, Wisconsin, the territory known as Southern Wisconsin and the amount involved there, I suppose, was \$1500. (Tr. p. 798.)

I remember one E. J. Cheatham of Independence, Missouri. I sold him the west half of the State

(Testimony of Albert A. Martinez.)

of Missouri; as [107] to the amount involved, I don't remember. On April 11, 1939, to R. A. Burke, one of the witnesses here, I sold the territory of San Francisco for \$1500. In February of 1940, I contacted a man by the name of Clayborne Eason, Jr. of Amarillo, Texas, and sold him the territory known as the Texas Panhandle; the amount involved might have been \$750. Five days later, I sold Mr. Burke of Amarillo, Texas the territory of the State of Oklahoma—I suppose the amount involved was \$1500. I remember meeting Mr. J. E. Waggoner of Kansas City, Missouri, and sold him the northwest portion of the State of Missouri; I suppose the amount involved was \$1500. I may have sold M. A. Green at Franklin, Tennessee, the territory known as the State of Tennessee; as I say, I can't remember—I suppose that he was sold for the sum of \$1500. I do not remember the name of R. M. Lawless of New Orleans—I meet so many people. I would not say that I did not sell to him the territory of the State of Louisiana. If the records show that I did, I did. (Tr. p. 802.)

In each of these sales I used practically the same sales talk that was used in selling Mr. Burke. We just had one sales talk, you know; that is all we can do. (Tr. p. 802.)

To a certain extent I was familiar with the plan of operation of the Direct-U-Systems; I knew that they answered an ad, or else I wouldn't call on them. I never talked much about the ad—I would call them up and ask them if they got a letter from

(Testimony of Albert A. Martinez.)

the company, and that I was there and would like to show them the deal. I never referred to the ad when they got there, very seldom, unless they brought it up. The home office would send me the letters that these fellows had answered the ads. They would send me the letters, so when I would call them in I would ask them if that was their letter. Sure, I had the letters. They didn't give me a list, they just sent me the letters. I suppose the home office had written the prospective purchaser, I don't know. [108]

I have seen some of these letters. (Tr. p. 804.)

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### LLEWELLYN F. MARSH

called as a witness on behalf of the defendants, testified as follows:

I am one of the defendants in this case and was employed by the Direct-U-Systems in 1940 as a salesman. I was given a commission on the business that came out of the territory and paid my own expenses. I had a 35% commission. I had a miniature model which I used as a salesman. I never represented in any of my sales that the cabinet was patented but I had heard that the company was trying to get protection on the rotater. Nobody ever instructed me to make any misrepresentations and I never made any. I am sure the photographs of an installation in my kit was photographs of an actual one. I remember

(Testimony of Llewellyn F. Marsh.)

Mr. Barnes of Pasadena. Everything was completely outlined to him and he told me he had checked the company and some pretty nice things had been said about it; that he had a report from Dun and Bradstreet. I never had any correspondence with Mr. Schutt nor with Mr. Weeks nor any knowledge of any correspondence being carried on by Mr. Bergen and the company.

### Cross Examination

By Mr. Veale:

I first met Mr. Marshall some time prior to 1935; at that time I was practicing law. I had a conversation with him as the result of which I went on the road for the National Directory Systems. I knew how they came in contact with their prospective purchasers. I was told an advertisement was to be sent out, run in papers, and then I was to contact them. If the advertisement brought any replies the prospective purchasers would be turned over to me. I had occasion from time to time to see those advertisements. Very often, the person who replied would paste the advertisement on his letter. I don't recall just exactly the wording of the ad but I think most all of the ads said \$6500, reasonably \$6500 expected, or something like that. I don't remember the [109] exact wording of the ads, but it was to the effect that you could reasonably expect \$6500. I had a 25 per cent arrangement with the National Systems, for compensation, and was to participate in the royalties to the extent of 25 per cent. As a result of my endeavors



(Testimony of Llewellyn F. Marsh.)

with the National Systems I made quite a few sales—I do not know how much. It doesn't seem to me as though I sold forty-five people, but if you have the records there, why, I suppose I did. I would just have to guess at the aggregate amount of sales in money that I made; it could be that the amount is in excess of \$55,000. If there were 45 sales, it could be, because most of the sales were \$1500, and ran over the period from December, 1935, through the year 1937. I severed my connection with the National Systems in February of 1938. Mr. Young became the owner of the National Systems and later Mr. Young and Mr. Bushnell formed a new company known as the Automatic Map Company, and I became associated with that. (Tr. p. 827.)

In that venture I received commission of straight 35 per cent and was to receive a percentage of the royalties. I was employed by that concern from about May, 1938, up to January 1, 1940, and sold quite a number of people the Automatic Map franchise. My recollection is that there were about 19, maybe 18 or maybe 20. I do not recall the aggregate amount of money involved in those sales, but since my memory has been refreshed, it could have been \$24,960. I did not receive any royalties from the National Directory Systems, and the same is true of the Automatic Map Company. (Tr. p. 829.)

In 1940, I became associated with the Direct-U-Systems. I made three sales, and one proposed

(Testimony of Llewellyn F. Marsh.)

sale—the aggregate amount of the sales was \$3750. My approach and manner of contact with the various purchasers in the Direct-U-Systems was practically identical with the Automatic Map Company, except that it had an added feature since we gave the subscribers for the space an additional card without charge. The Direct-U-Systems had marvelous equipment. (Tr. p. 833.) [110]

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#### NORMAN H. MARSHALL

called as a witness on behalf of the defendants, testified as follows:

I am the Marshall named as the defendant in this indictment. I live in Los Angeles. I became interested in the directories at the inception of the National Directory Systems in 1935, but with the Direct-U-Systems when it was organized in 1938. I have always been interested in advertising and this is a unique advertising and required considerable development and I just worked at it. It was from my original idea that the bulletin board was as we see it here today and improvements were constantly sought on it by me. (P. 836) Every bit of money we could get hold of was used in improving the device and we spent many thousands of dollars on this. I have been in and out of activity with the Direct-U-Systems several times and in fact we shipped one installation about three weeks ago. While I was with the Direct-U-Sys-

(Testimony of Norman H. Marshall.)

tems I was the sales manager. These salesmen were instructed in detail with reference to this device. The salesmen were paid on commission which ran from 25% to 35% depending upon their expenses. We had leases on Canadian National hotels and were negotiating in Mexico. There were more than half a dozen salesmen altogether. The assembling of one of these devices required the services of different kinds of skilled workers. These cabinets were all individually built to suit the individual customer. We tried to make the cabinet match the hotel wood. We had credit with everyone. We were never turned down for credit, that I know of. We had credit with the Hollywood State Bank. However, none of the equipment was sold. The company retained title. (P. 845) We paid the expenses of shipping the machines which were sent either by express or truck. We were advised by attorneys that we had a right to put "Patent Pending" on the machine but as soon as we found out there was a question about it we quit it (P. 848) and we have never represented that it was patented. I never met Mr. [111] Weeks. (P. 850) But I did meet Mr. Wallace who was employed as a salesman. I do know that Mr. Weeks actually got installations of the machines and I know they worked although I never went to New York about it. I have seen this particular machine working satisfactorily in Minneapolis and Denver. Had I thought the machine was a fraud, I would not have had anything to do with it. I

(Testimony of Norman H. Marshall.)

met Mr. Schutt and his wife. (P. 854) I had one conference with them. They wanted their money back and it was explained to them that it was not the policy of the company to give the money back. No suit was ever filed against me or the company in connection with them. I met Mr. Whitby in Oakland and I explained the proposition to them. I never ordered any machines. I remember Mr. Burke and the upshot of our negotiations was that he entered into a repurchase agreement and we built a cabinet for him, installed it in the Sir Francis Drake Hotel and the company serviced it for over a year but he lost interest in this activity. Whenever we found any defects in this machine we endeavored in every instance to correct them. (P. 860) I talked to Inspector Edwards about patenting the machine, and told him certain parts of it could not be patented but I did tell him we were endeavoring to secure patents on the animator and paid a considerable amount of money to a patent attorney in Washington. The reason we had the verification form put on the contract was that we knew salesmen were inclined to elaborate upon things and the company tried to know for itself whether certain things had been called to the attention of the lessee. I never instructed any salesmen to nor approved of misrepresentations. (P. 865) We sent written instructions to lessees so that they might operate satisfactorily. We sent this document, (Defendant's Exhibit 3X to the lessees to enable them to make sales.

(Testimony of Norman H. Marshall.)

DEFENDANT'S EXHIBIT No. 3X

Sales Manuel  
For  
Direct-U-Systems

This sales manuel is a compilation of well known and seasoned Sales Principles to-gether with specific data on the method of selling the service of The Direct-U-Systems.

\* \* \*

It is for the use of our Franchise Operators and Salesmen, that they may better acquaint the merchant with the many advantages to be found by the use of,—

Direct-U-Systems.

\* \* \*

We do not suggest that our salesmen use the canvass as given herein as a sterotyped story, use the information But put it in your own verbage.

Distributed by  
Direct-U-Systems, Inc.  
Direct-U-Building  
7225 Beverly Blvd.,  
Hollywood, California.

D-15

To those of our salesmen who have had previous selling experience, Greetings;

To those of you who are about to embark on a new career, We Welcome You.

You are entering a field where every man has an equal opportunity, and where the heights to



(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
which you attain are limited only by your own ambition and desire to succeed.

You are about to enter a profession whose members as a class, are the highest paid men on earth, The Specialty Service Salesmen.

There is no mysticism about selling. It is mostly common sense, knowledge of your product, presenting the facts in the proper manner to as many people each day as possible, the will to work and the desire to succeed.

\* \* \*

We furnish you with the tools of your trade and instruct you in their use.

If you will but follow these instructions you will be happy and successful in your career, and satisfied with the niche you carve out for yourself.

\* \* \*

You must know your product Thoroughly, study it constantly. Learn all you can about it, that you may become an expert in all things pertaining to it.

Sell yourself on its merits. Know that what you have to offer is of real benefit to your customer.

Remember that the man who tries to sell that in which he himself does not believe is Dishonest.

\* \* \*

Many salesmen approach their prospect with an air of apology. They hesitate to take his time, and feel that an interview if granted, is a great favor conferred upon them. This is entirely wrong.

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

Yours is an honorable calling, and the work you are doing is of distinct benefit to your customer.

Ask yourself these questions:

"Why does the prospect maintain an office or conduct a business?"

"Why do I wish to talk to him?"

The answer to the first question is, "Because he wants to make money and for no other reason."

The answer to the second question is, "Because you want to tell him about something that will make or save him money."

Isn't that the very thing for which he maintains his store or office? If so why hesitate to call upon him when you are about to aid him in doing exactly what he is there for.

You wouldn't hesitate to call on him, no matter how busy he might be, if you wished to make a purchase, because he makes a profit on your purchase. In your case he makes the purchase from you, but he also makes a profit when he buys what you have to offer.

\* \* \*

Once you have that knowledge firmly fixed in your mind, all fear and hesitation vanishes. The spirit of service enters into your conscientiousness and making calls becomes a pleasure. You are doing something for your customers, not to them.

\* \* \*

Direct-U Salesmen are in a new business and

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
have no competition. They are making friends and building for themselves a permanent income.

\* \* \*

Re-orders from your customers who, once sold, will never again be without Direct-U-System service means your future income is assured.

\* \* \*

A salesman has been defined as "one who induces a person to buy something he does not want." This is true in a sense and perfectly proper, provided the purchaser benefits thereby.

While it is true that most people do not know what they want, no one should ever be sold that for which he has no use, and which does not benefit him more than the money would if otherwise spent.

\* \* \*

Nothing is worth selling that would not sell itself if all the facts were known and fully understood.

Therefore your job is to present the facts clearly and concisely.

Speak plainly and distinctly.

Be sure the prospect hears and understands all you say, for remember, it isn't what you say that makes the sale. It is what the prospect hears and understands of what you say.

\* \* \*

The art of selling consists largely in the proper

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
presentation of your case. Which means you should present the facts in their proper sequence; each fact having its relation to the one preceding.

In this way the prospect's attention is held and his interest increased as you proceed with your story.

\* \* \*

Never try to sell a prospect unless you have his undivided attention.

\* \* \*

Keep a complete record of all calls made, and report these calls to your office.

This is a great benefit to the salesman in closing future business and in keeping close contact with the customer.

\* \* \*

Systematize your work. Never start your day without knowing where you are going and upon whom you are going to call. Always lay out more calls for yourself than you really expect to make as some of them may be away or otherwise engaged.

Plan Your Work, Then Work Your Plan.

\* \* \*

The salesman has three tools with which to work,—

First, A thorough knowledge of his product.

Second, The ability to present it in an attractive manner.

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

Third, Time in which to do so.

Don't Waste Time, either yours or your prospects.

Since Time Is Money, to waste your time is to waste your money.

\* \* \*

The Merchandise you are selling.

The method of introduction of the subject to the prospect is dependent upon whether or not he has received a letter or is what is known as a "Cold Prospect".

If the former, the salesman introduces himself by name with the statement that he is with Mr. .... the local manager for the Direct-U-Systems.

"Mr. Blank, several days ago Mr. .... sent you a letter saying that I would call to show you an electric working model. (he will undoubtedly remember this letter as the mention of the working model excites his curiosity.)

(Don't let him hurry you.),—"can we sit down so that I may show you what I have and tell you all about our service?"

If he is too busy to sit down with you then, make a future definite appointment with him.

Be at all times courteous and in return Demand courtesy and a respectful interview. Get his undivided attention.



(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

Thoroughly Familiarize Yourself With the  
General Presentation

Which Follows.

Direct-U-Systems

Los Angeles, California

Sales Suggestions For Salesmen Soliciting  
Merchants For Service On Direct-U-Systems

In this, we shall not attempt to make a dialogue as between merchant and salesman, feeling that such would perhaps fall short of its purpose and become a canned speech, which of course would lack sincerity and enthusiasm to properly impress.

The first thing we would suggest that a salesman do is thoroughly acquaint himself with the Service to be rendered by the D-U-S and, above all, get the idea out of mind that this Service is an "advertising" service. We have no quarrel with advertising. We believe that advertising is a splendid service—time honored and time proven. But we are not in it. If we were, we would work just as hard on it as we are working on this System. Our Service begins where advertising leaves off; but it is in no way conflicting with advertising. Advertising, we believe, is competitive and coercive—a stimulant to coax or to prevail on a certain group of people to spend more money, to spend it today instead of tomorrow, or to spend it with Jones instead of Brown or Smith. But, certainly, advertising can only be effectively directed when locally applied to a group of people who live in and

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
around a certain district from which the advertising emanates.

A buyer stimulated by advertising is presumed to know several things: he must know who is doing the advertising, the advertiser's responsibility and integrity, and, above all, he must know where this advertiser is located. Inasmuch as most local advertising is directed to people who live within his area, the presumption that the reader of the advertisement does know these things is usually more or less accurate. And if not accurate in every case, the individual living within the district has ample time sooner or later to learn the city and learn the location of these various merchants.

Therefore, advertising is presumed to do its job very well. We believe that it does. We believe that the proper amount of advertising is just as effective as an over-saturation of the territory. The purchases made by the local buyer are limited by his budget. If business is off 30% to 40% in the store of the local merchant, it usually means one thing: that the spending power of this buyer-group at which he is directing his advertising, is also off 30% to 40%. This being an economic condition, there is nothing that the merchant or ourselves can do to help him. Time alone will remedy this matter if it is to be remedied. Therefore, we do not go into an area with any idea at all of helping the merchant with his local trade. They know who he is and where he is. Nothing that we could

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

say would help him very much. But, inasmuch as our Service is entirely different, we are certainly not in competition to any of his advertising mediums and do not recommend that he substitute our Service for any of them. He is dealing with one group of people who know him and know the city. His only problem with them is to stimulate them to a point of buying from him and hope that the buyer has the money.

Our Service brings to light an entirely different buyer-group—strangers in his city, who remain strangers unless the merchant does something about it. These people will be in his city for only two or three days; sometimes a day; sometimes three or four; but an average of two days. This is altogether too short a time for the stranger through his own efforts to familiarize himself with the city. However, he is a buyer—qualified and classified. The fact that he is stopping at a good hotel proves that he has ready money. He is a ready, able and willing buyer—previously stimulated as to merchandise but not as to merchants. Since his needs are greater while away from home than at home, it follows that he spends more money while away from home. Since he is fortunate to have money to travel on, it also follows that he belongs to the higher spending group. And since he is away from home he must buy with cash. The principal exception to this, we believe, would be the individual who travels by automobile and carries a national

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
credit card with some one of the major oil companies. The rest of the merchants, however, sell him for cash.

If a merchant finds it profitable to spend thousands of dollars a year to stimulate the people who already know him, know where he is, know what he sells—just in order to get them into his store to buy (even though many of these people buy on time and he has many bad accounts)—he is spending that money merely for the privilege of announcing to the general public that he is a ready, able and willing seller.

How then, for a few cents a day, can he afford not to show a ready, able and willing buyer—a guest in his city who doesn't know where he, the merchant, is, what he has to sell and, most important of all, how to get there?

Our Service reaches this guest of his city where the guest lives—in the better hotels. We believe the merchant should, as a courtesy to the guests of his city, be willing to show them who and where he, the merchant, is. And, as a matter of profit he cannot afford not to do so.

(In your canvass to the merchant, you should strongly call his attention to several groups of figures. You will find these figures in our Selling Text.)

The figures referred to are not taken out of the air by us. As a matter of fact they are not compiled by us at all. One set of figures is obtained

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
from the American Automobile Association. The other set of figures is obtained from the hotel in which the D-U-S installation will be made. But the Proven Figures are these:

That there were over  $4\frac{1}{2}$  billion dollars spent by automobile travelers during the past year of 1938. That is big business; that is a lot of money.

The merchant's attention should be called to the amount spent during a certain year by guests of the particular hotel wherein the Service is to be installed. This, you will find, we have broken down to so many dollars a day. This money is spent, or available to be spent, by ready, able and willing buyers a few doors or a few blocks from the merchant.

And they will buy if they can only find the merchant. This is Cash business. The D-U-S- in the hotel lobby will guide them directly to the merchant. Many merchants not being familiar with these figures will perhaps then say this: "Oh, well, the hotels get that money".

Here are statistics from the hotels themselves: The hotels do get 23%. However, the 23% has been deducted from the amount of money spent, and the \$7.14 as shown by us on Page 7 of our Selling Text, is the amount of money the buyer has to spend after he has paid the hotel. Then consider these figures:



(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

Restaurants—get	18% of that amount
Retail Stores	31%
Garages	10%
Theaters	8%
Miscl. Items	10%

This 23% that the hotels get would be spread as per ratio over the other mentioned items herein. It can quickly be shown, by this table, to whatever merchant the canvass is made, how much money in dollars and cents he might reach for out of a daily total from the particular hotel in question.

In soliciting restaurants you probably will find that some will say, "Will we be exclusive on this Service?" Five or six eating places can be represented on one D-U-S—and yet each will be "exclusive." They come under the classifications of "Sea Food"—"Southern Cooking"—"Cafeteria"—"French-Italian Dinners"—"German Cooking"—"New England Dinners"—and a bang-up "Steak House". None of these is competitive to the other.

Automobile service comes in for their share of this business. It is not important to the traveler to know where the White Garage is or the name of any garage. What is important to him, however, is the location of the Cadillac, Packard, or Plymouth Service garage, or whatever type of car he is driving. All service companies benefit greatly from the traveler, provided he can find them. Many new cars have been sold through this Service; however we do not allege that we will sell automobiles, because we

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

do not know. We do know, however, that we will give them a great deal of automobile service.

Now for service stations—gasoline: Shell, Texaco, Standard, Richfield, Phillips and all of the other companies that issue national credit or courtesy cards, will be sought out by the traveling public who are carrying these cards. The same goes for merchandising houses, certain types of clothing, hats, shoes, women's clothing and certain professions also, such as a contract lawyer. Many people come to a city and go to the hotel before buying, selling, leasing or renting real estate. Others, such as a chiropodist, an oculist, turkish baths—and various other trades that the traveling public buy from are eligible on the Direct-U-Systems.

The salesman's presentation will of course be guided largely by the prospect he is working on. Were I to approach a man who was obviously in a hurry and it was impossible for me to quiet him down I would waste very little time on preliminaries but would start out with the number of dollars that are walking down the street within a few blocks of him, daily, which he is making no real effort to get. You'll find that by supplying these figures to the merchant that you have definitely done him a favor and started him thinking. Why doesn't he know the facts that you are about to tell him? Why? Because he hasn't been getting them. Salesmen, remember this! When you go into see a merchant, that merchant probably knows nothing at all

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

about what you are about to tell him, or what you represent. If he ever finds out, it will be because you, or someone else, tells him. If he never finds out, it is because you failed to tell him. You can certainly remember this, and believe it too: that the merchant doesn't live who is spending hundreds and thousands of dollars to stay in business, who wouldn't spend a few cents a day to deliver into his store another group of buyers whom he is not now reaching. Your only job is to convince him of these facts. And once you have told the story completely and clearly you will find your merchant will want to believe them. His only difficulty perhaps is that it sounds a little too good to be true. We all want to believe the better things, but sometimes their presentation does violence to our intelligence.

Let us work on the theory that you are not really trying to sell the merchant at all—that it should not be necessary for you to sell him. Your job is to explain the way this System works, and for whom it works, and the amount of money involved. From that time on the merchant should be a "buyer". But if you do have to "sell" him, you should sell him with one idea in mind, namely: that no matter how much work and pressure you have to use on him, he's certainly never going to be worse off for it. You have definitely benefited him. At about this time in your presentation it is well to show how this System works, because we are presumed at this time to have convinced the merchant of several things: that his field offers more than he is cultivating; that

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

there is a large sum of money being spent annually in his city by guests of the particular hotel that you are representing; or if it is not being spent in his city, it is available to be spent; and if it moves on to another city, it is because he failed to grasp the opportunity when the opportunity was there.

When the merchant coaxes the local buyer in by inducement, and has got the money that this local buyer had to spend, this local individual must then wait until his purchasing budget is replenished through his own or other resources. In other words, he is not a ready, willing and able buyer daily—but occasionally; whereas, this group that we represent is composed of individuals who buy and leave town and who are replaced by other individuals who also buy and leave—and it is a constant source of new money to the local businessman.

We have taken up so much time explaining what we do, that how we do it may sound complicated. However, this is the simplest part of it all. There is nothing very new about the methods employed toward arriving at the Service we supply. We use a map. (Maps have been in use centuries, with popularity ever increasing.) Our map is hand-drawn and drawn to scale. It is black on white, showing nothing but names of streets and boulevards. The map is large and clear enough that it can be read at a distance of fifteen feet. Be assured that there are none others in the city like it. The area shown on the map has for its "hub" the hotel

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
in which the D-U-S is located—supplying our Service to surrounding eligible merchants who are easily accessible to the guests of the hotel.

When you use a map for directing yourself, it is necessary to do two things: first, locate yourself on the map. Second, locate your point of destination. You must find the exact spot on the map where you are now located; otherwise it is difficult to locate any other place in relation to yourself on the map.

Our map locates the hotel for the guest by using a Red light, which is the exact location on the map of the hotel wherein the Direct-U-Systems located. For the various merchants represented thereon to whom the service has been sold, we also have a light. This light is white. We have now done two things that are necessary to do on any map—locate the point of departure and the point of destination.

However, the lights on the map are not visible until a button is pressed opposite a large card. On this card, the merchant served has his representation. It shows his name and where he is. In the upper left hand corner of the card, in a different color to make it stand out, is shown the "leader" of the merchant. For instance, one brand of clothes he sells—perhaps Hickey-Freeman clothes. Another merchant sells Hart-Schaffner and Marx or Fashion Park. For cafes different types of food would be shown in this "key" position on the card . . . sea foods and so on. For garages we would show in this corner "Plymouth Service" "Chevrolet"—



(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

"Cadillac"—"Packard". For the gasoline stations, we would show "Shell", "Texaco", "Phillips", and so on.

Now, when the button is pressed opposite any of these cards (and here you show your merchant your demonstrator and how it works) two lights flash and shine through the map, the green light representing where he stands, the white light being the place he chooses to find. Very easy then for him to trace his way on a large map, unobscured by a lot of other markings. We virtually deliver the buyer to the store or the place of business of the service or merchandise that he seeks. Now we differ from advertising in this respect: we make no effort on this map to state that one merchant is better than another. They are all good or they wouldn't be on there, having all been approved by the hotel itself. We merely show what the merchant does, where he is and more important, how to get there by use of a map, without advertising at all.

To make this map still more attractive and desirable, we mount it in a cabinet—the finest cabinet we can build . . . as fine as any radio cabinet. The designs are attractive and the woodwork matches the hotel lobby, or compliments the lobby, as the hotel may direct. This map is on a line with the average person's vision. Large White Cut-out Letters illuminated by Lumiline electrical indirect lighting equipment state what this map is. Its appearance and the lights flashing by users of the map will

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)  
positively pull the traffic in the hotel lobby directly to it.

Any merchant that tells you, "Well, I am represented in that hotel; I am paying so much for such and such a service and it is similar", is misinformed. Do not let him be misinformed. He may have a space on a map. It is not an animated map, we know. He may have space in the room, he may have space on the hotel blotters, or he may have cards in the lobby. This, you can easily show him is the very same thing he is doing with his local people, and probably would be effective if these people in the hotel knew his city. If they don't, then it is not serviceable to them. Our Service being animated and on a map with lights, does not seek to get people to buy from him, but shows the buyer where to find him. His advertising in the hotel does not interfere with our Service at all. He may, through those other mediums, sell a buyer on trying to find him; we show this buyer where the merchant is.

We give a further service by having the hotel clerks and porters refer inquiries to the map . . . also place cards in the rooms, not seeking to get an individual to buy from the local merchants, but pointing out to this buyer that the hotel has installed a service for his convenience—an automatic map, which will show him how to find his way about the city. Nothing to offend or coerce this buyer in any way; nothing that would indicate to him that it is advertising.

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

Countless additional pages could be written on this Service—and we haven't a doubt but that you enterprising salesmen will add to it. Remember this: that there is not one single objection that will survive in the face of logical explanation of this System. It is not competitive; not coercive; but definitely helpful.

“Mr. ...., before I show you what I have here, (meaning demonstrator) I want to tell you a fact. (turn to page of the statistics where it shows 31% being spent by the traveling public): Did you know that 31 percent of all monies spent by travelers is spent in retail stores. Think of this, nearly a third of all the money spent by travelers is spent in retail stores and comes from the people who travel and live in hotels and you have no other method of reaching them or causing them to be directed to you.

“Well, Mr. ...., that's exactly what we can do and here is how we do it: This demonstrator is the replica of an actual cabinet. Of course, the cabinet itself is 7 feet high and four feet wide. It is an animated and beautiful piece of furniture, finished in the very latest design and in keeping with the finishing of the hotel lobby. Up here at the top and center is a map of this city, it runs for approximately 40 blocks north and south and 40 blocks east and west. It is electrified and works twenty-four hours each day for you.

“Down the sides here are the listings of only the

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

better business houses and professional men in this city. Now, opposite each listing is a button. When any one of these buttons is pushed (demonstrate) two lights illuminate back of the map, the red light shows where the hotel is located and the white light shows your place of business.

"You are entitled to an 8x10 interchangeable card which changes every 20 seconds and all of the reading matter is changed every month, so that all of your animated display cards are timely and you are displaying from month to month that merchandise which you most want to feature at that particular season.

"Now we place one of these cards (show card in kit) in each room in the hotel calling the guest's attention to the fact that the Hotel has placed this electric city directory in the lobby for the convenience of its guests. In other words, Mr. ...., the Hotel and its employees are recommending you as the most outstanding business in your line in this city. You see, Mr. ...., this is sold on an exclusive basis, and we feel you are the most outstanding drug store in .....

"You, as a merchant, spend many dollars each year for newspaper advertising and it is very good. But still it does not reach the traveling public because the average stranger does not read the local papers, he reads only his home town paper or the big city sheet, but Direct-U-Systems is not advertising but is a service and does not supplant adver-

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

tising. Direct-U-Systems is ethical, exclusive, new and modern. It not only displays for you in the lobby of the hotel that merchandise which you want it to, But it actually directs people to your store.

What other form of representation can you purchase for anything like the price that this is being sold for?

“Statistics show us that any first class hotel is on an average 80% filled or occupied all the year round, we further find that for every guest that is registered in a hotel that five persons visit that lobby every day for one reason or another, to go to lunch, to call on a guest, to buy a newspaper, to use the phone or for one of a dozen reasons: so then here are some astounding figures.

1/5 of population Support 9/10 of all retail Business.

Hotel Guests are of this Fortunate Fifth.

Direct-U-Systems service reaches this Fortunate Fifth 100%. No wasted effort, thus giving the subscriber another 5 times as much value as general coverage.

4/5 of hotel guests are Transient—Strangers—Not reached by any local Advertising Medium. Direct-U-Systems reaches these strangers 100%—Thus giving the subscriber another 5 times in value over any type of local medium.

“Now, Mr. ...., how do you want me to list you, as drugs only, or as drugs and sundries, or just what is your choice.”



(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

If he has any objection, it is an indication of a bad canvass. The proper time to answer objections is before they come up. Know the most common objections, then put them in your canvass and answer them as you go along.

If an unforeseen or new objection comes up at the end of a canvass, it is a distinct advantage to the salesman. It shows him that the prospect is really interested in what is being told him and is giving the matter deep thought, evidenced by the very fact that he thought up this new objection. It also tells the salesman what is holding the prospect back from buying. The salesman can then overcome this. Get it out of the way and close the sale.

### Closing Arguments

“You can't afford to be without this, Mr. .... Can you afford to let some other competitor get the benefit of this novel and up-to-date method of reaching the traveler?

“Do you know Mr. ...., it has been demonstrated on many occasions that people who have pushed these buttons have been known to walk right by other good stores in the same line of business to go to the store that the directory has sent them to. In other words, they have their minds focused on a certain store and that's where they will go; where the directory has sent them, because first, they know it must be a good store or the hotel would not recommend it.

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

“You have an up-to-minute store, everything is well laid out and your displays are lovely. I want to give you the opportunity of being in the ..... Hotel and I know that as time goes on and you see the results obtained you will thank me for bringing this to your attention.”

To the Man Who Says,

I can't afford it.

Your answer is: You can't afford to be without it, Mr. ...., you can't afford to pass up anything that will increase your business. (refer to proven facts.)

I'll think it over.

That's exactly what I want you to do Mr. .... and I want you to think it over while I'm here, so I can answer any questions you might like to ask.

This is my off season, business is too bad right now.

Then this is just the time you need it most. When business is bad, that is the time you've got to do something about it to improve it. Now that's logic isn't it, Mr. ....

These are a few of the most commonly met objections. There are no Objections which cannot be overcome because Direct-U-Systems do for the merchant what no other medium can do? It sends customers directly to his place of business.

(Testimony of Norman H. Marshall.)

Defendant's Exhibit No. 3X—(Continued)

In closing let us admonish you, to work hard, take your business seriously, study the thing you are selling, know it, know all the objections and how to answer them.

Read over your sales suggestions even after you have been successfully selling "listings", it will refresh your memory of things which you may have forgotten and help you close sales.

Remember at all times that you are not selling advertising, but you are offering an exclusive service that reaches the concentrated class of people who have money to spend and are strangers in the community and can be reached in no other way.

[Endorsed]: Filed Sept. 29, 1942.

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We made a conscientious and honest effort to aid them and we never failed to ship any equipment which was ordered. Repurchase agreements were made and paid off. Mr. Burke received his money back and a number of people received a [112] goodly portion of their money. (P. 871) If a certain territory was allotted to a certain lessee, we did not go in afterwards and enter into competition against him. I never intended to nor did I ever have an agreement with anyone whereby anyone was sought to be defrauded.

#### Cross Examination

By Mr. Veale:

The Evansville, Indiana, installation is one that

(Testimony of Norman H. Marshall.)

has just recently been made. I would say that that customer was satisfied. He had the equipment shipped to him and he sent me contracts showing that he had sold the space. I don't know whether thirty of the spaces had been donated as places of interest and that twenty-nine paid ads had been sold with nothing paid on them. I do know that the only way they could get a lease on the hotel was that there would be thirty places of interest in there. I do not remember when the board was ordered—I do not think it was ordered three or four or five months ago; it might have been. We ran into a lot of difficulties because we couldn't get priorities. The installation in Denver is one that I supervised the installation of—that has been since the return of this indictment. (Tr. p. 874.)

I don't know whether up to the present time thirteen of the twenty-nine advertising spaces sold on that board have not been paid upon—it is not the first instance we have had where every installation hasn't been paid in. I put in the installation at Minneapolis in the Hotel Nicolette, and I am fairly familiar with the file. Up to this date, no royalties have been received on any of these installations. (Tr. p. 876.)

I contend that all of Mr. Weeks' installations were successful. As regards Mr. Schutt, I had had a considerable amount of correspondence with him before he came to Los Angeles; I handled most of that correspondence, signing the name of Mr. Talbott, which I had done in practically every instance. (Tr. p. 877.)

(Testimony of Norman H. Marshall.)

When Mr. and Mrs. Schutt came to Los Angeles, it was not [113] a new transaction to me. They had agreed to sign a repurchase agreement—he had refused and agreed at different times. Mr. Schutt was never repaid his \$1500. Mr. Whitby signed a repurchase agreement but he has not yet received 100 cents on the dollar. Mr. Burke has received only \$500. He signed a repurchase agreement and has received that much money on it; the balance due him is still outstanding. (Tr. p. 879.)

I prepared Government's Exhibit 25 for Mr. Wallace and gave it to him. He told me he had to have something he could memorize and I suggested that he use it as a basis for making up his own sales talk. I carried on quite a great deal of correspondence with Mr. Weeks, most all of the letters being signed "C. W. Talbott." I wrote a letter dated August 8, 1940, to Mr. Weeks, which letter contained the following paragraph: (Government's Exhibit No. 8)

"As far as N. H. Marshall is concerned, he is not employed by us nor has he been, but is well known by us, as he was at the time the old National was operating, most successful, as the financial records will show. It was when he handled the sales and through his efforts and knowledge and hard work the most successful development was done, not only by the company but by the lessees. When he left the old National due to some personal and domestic difficulties, their decline started and when it reached a point that the writer did not care to be associated



(Testimony of Norman H. Marshall.)

he disposed of his interest and the old investors realized that they had made a mistake. And we are sure that if you knew him we are sure that you would agree. He is interested in some educational business, but we are sure that if you will write him addressed to him Post Office ....., Hollywood, California, that it will be [114] forwarded to him and he will, we feel, be more than glad to assist in rectifying any reports that may be damaging to you or this company."

That letter was shown to me before it left; in fact, it was left for me and I signed it. (Tr. pp. 881, 882.) Mr. Johnstone didn't handle a great deal of the business. I signed his name on a number of letters, but never without his consent. In some instances he saw these letters, and in every instance we discussed them. (Tr. pp. 884, 885.)

Whereupon the following occurred and the following stipulation was agreed upon:

"Mr. Stoddard: At this time, if the court please, counsel and myself have agreed as to what a witness, if called, would testify. I wrote it up right there in the form of a short stipulation. We do not expect to file a written stipulation, but I think that counsel and I are satisfied with the form of the stipulation. It concerns the testimony of one Roland R. Bryant, whose name has been mentioned here as one of the sales managers on the road and I may state to your Honor that he is now employed by a railroad and in some defense work and works seven days a week,

and we felt it would be unfair to him and his employer to bring him in here.

"Counsel have been very generous and agreed that if Roland R. Bryant, the witness referred to, I believe by Mr. Bergen, were to be called and sworn—in all fairness I think I should state to the jury that counsel and I understand [115] the stipulation is merely that that was the way he would testify, without counsel——

"Mr. Veale: That is correct.

"Mr. Stoddard: ——assuming that it is true or untrue. That is for the jury to determine. That in the year 1940 and '41 he was employed as a division manager of the Direct-U-Systems, and as such negotiated two contracts with Ralph H. Bergen; that the witness would further testify that he did not tell Bergen that there were 60 Direct-U-Systems boards in successful operation in the United States; but on the contrary, that he told the said Bergen that he understood that there were 24 more such boards installed at different places; that he did not, of his own knowledge, misrepresent either the said equipment or the said Direct-U-Systems deal; that he at no time represented the said equipment to be patented.

"With that stipulation——

"The Court: Do you accept the stipulation?

"Mr. Veale: We accept the stipulation.

"The Court: Gentlemen, that stipulation has the same effect as if Mr. Bryant were here and would testify as they have stipulated."

Whereupon the defendants rested (P. 890) and no rebuttal was introduced by the Government.

Whereupon motions by the defendants for a directed verdict of not guilty were renewed. Said motions as to each defendant were denied and an exception noted.

**AMES PETERSON**

Attorney for defendant Norman H. Marshall [116]

Wherefore, it is respectfully prayed that the Bill of Exceptions proposed by the defendant be amended as above outlined.

**LEO V. SILVERSTEIN**

United States Attorney

**CHARLES H. VEALE**

Chas. H. Veale

Asst. United States Attorney

The above and foregoing Bill of Exceptions is this day settled and approved.

Dated: December 28, 1942.

**BEN HARRISON**

United States District Judge  
[117]

[Endorsed]: Lodged Dec. 14, 1942. Edmund L. Smith, Clerk. By [Illegible] Hames, Deputy Clerk.

[Endorsed]: Filed Dec. 28, 1942. Edmund L. Smith, Clerk. By W. C. Hart, Deputy Clerk.

[Title of District Court and Cause.]

### CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the District Court of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 46, inclusive, contain full, true and correct copies of: Indictment; Minute Order entered August 7, 1941; Portion of Minute Order entered September 30, 1942; Verdict as to Defendant Norman H. Marshall; Portion of Minute Order entered October 26, 1942; Judgment and Commitment; Notice of Appeal; Bail Bond on Appeal; Stipulation; Stipulation and Order in re Exhibits and Praecipe which, together with the Original Bill of Exceptions, Assignment of Errors and Exhibits, transmitted herewith, constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that the fees of the clerk for comparing, correcting and certifying the foregoing record amount to \$12.05 which sum has been paid to me by Appellant.

Witness my hand and the seal of the said District Court this 22 day of January, A. D. 1943.

[Seal]

EDMUND L. SMITH,

Clerk

By THEODORE HOCKE

Deputy Clerk

## GOVERNMENT'S EXHIBIT No. 3

Cut of Allied Member AHA

Pencil notation Weeks

Direct-U-Systems

"An International Service"

C. S. Wallace

Division Manager

Hollywood

[Endorsed]: Filed 9/21/42.

## GOVERNMENT'S EXHIBIT No. 6

Direct-U-Systems

General Offices

301 N. Laurel Ave.

Los Angeles, California

August 2, 1939

Mr. Harold E. Weeks

11 West 42nd Street

New York City, N. Y.

Dear Mr. Weeks:

We wish to acknowledge receipt of your favor approving the type and kind of stationery. We are rushing this equipment through without delay, so that when we receive your list we will have everything in readiness, as we are extremely anxious to get you established without delay.

We are very happy to hear that Mr. Wallace has been so helpful. We think a great deal of



Mr. Wallace, who has been with us for quite some time, and we are confident that he will render every assistance that is possible, in order to get you started.

We note what you say with reference to the elevated, and you may rest assured that we will very carefully check this before completing the maps, and we feel sure that with your cooperation, it will work out to a very distinct advantage.

We are also in receipt today of your check in the amount of \$3750 as covered by the contract, and we wish to take this opportunity of assuring you of our desire to cooperate with you in every way possible to insure your success.

We feel confident that you will develop your division to be outstanding, and we trust that you will advise us if there is any way we can assist, and we always appreciate any suggestions that you may have to make.

With kindest personal regards we are,

Very truly yours,

DIRECT-U-SYSTEMS

By C W TALBOTT

[Stamped]: Received Aug-4 1939 9 AM Ans'd  
Aug-4 1939

T/F

Cut of Allied Member AHA

An International Service

[Endorsed]: Filed 9/21/42.

## GOVERNMENT'S EXHIBIT No. 10

Western Union Telegram

[Stamped] File Copy

October 11, 1939

To Direct U Systems

Street and No. 301 North Laurel Avenue

Place Los Angeles, California

Am Anxious to Demonstrate Walnut Finished Cabinet at National Hotel Exposition November Thirteen to Seventeen Stop If I have Your Map Marked for Locations of Sixty Bonafide and Prospective Advertisers and Twelve Points of Interest Also Complete Information for Printing Narrow Cards in Your Hands by October Sixteen Can You Deliver Cabinet at Grand Central Palace Manhattan November Tenth Stop Will Furnish Eight by Ten Cards Here Stop Best Regards

HAROLD E. WEEKS

Western Union Telegram

1939 Oct 12 AM 1 37

SA1139 25 Nt—LosAngeles Calif 11

Harold E Weeks—

11 West 42 St Nyk—

Retel Will Rush Walnut System Confident Be Able Deliver on Time Please Rush Suggestions on Map Sent You Also Printing and Location Data Writing Regards—

DIRECT-U-SYSTEMS.

[Stamped]: Received Oct 12 1939 Ans'd -----

[Endorsed]: Filed 9/21/42.

GOVERNMENT'S EXHIBIT No. 12

Longacre 5—2947 7482 11 West 42nd Street  
New York City

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems  
“An International Service”

December 9, 1939

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Re: Cabinet for the Park Central Hotel.

Attention: Mr. C. W. Talbott

Gentlemen:

The walnut cabinet for the Park Central Hotel was exhibited from November 13 to 17 inclusive, at the National Hotel Exposition, as you know. Since then I have been trying it out here for nearly three weeks.

At the Exposition, the red light and the “Direct-U-Systems” lights remained on when the battery switch was closed. This condition necessitated my using four (4) sets of dry cells during the Exposition. Later, an investigation discovered a short circuit in the relay due to solder having been dropped into it from above. I have had the relay repaired, and it is now functioning satisfactorily.

It was necessary for me to have many cards made over, due to the fact that your office told me to cut them down from 8" to 7½" in height. Your

attention is called to the fact that the glass area in the wooden window in front of the movable cards is framed to 7" x 9½", on the inside. Further, I report that the aperture on the metal window is 6¾", by slightly over 9½". A person six feet tall, standing three feet in front of the middle of the cabinet, can see a card area of only 6½" x 9½". If the spring clips are bent in, so that they touch the glass on the bottom, in accordance with written instructions found in the cabinet when it was received, the window aperture, at the bottom, is cut down to 9".

The contracts which you sent me and other information received from you, indicated that the advertising card was to be 8" x 10". This information was given to the prospective advertisers, and they, my salesmen, and myself, were led to believe that the space available for copy on these cards was 8" x 10". As the visible space on the card is approximately 6½" x 9½", I consider that a gross injustice has occurred, inadvertently probably, because I have signed contracts with customers for advertisements 8" x 10" in size. Further, endeavoring to explain and correct this has caused me a great deal of embarrassment, expense, and loss of time that I personally should have been able to devote to other matters.

Nearly every card will have to be re-drawn, so as to bring the copy within an area of about 6" x 8½", in order that it may look well in the frame that you have provided.

Additional embarrassment has been caused, as previously referred to you, in connection with the weight of the cards used.

On many occasions two cards have run through the machine together, suggesting trouble from frictional static. This has been prevalent in other machines of your general type.

The aluminum roller under the lower front window roller is about  $\frac{1}{8}$ " too short and has dropped out of its bearings, damaging cards, and jamming the machine. This has happened on a number of occasions at the National Hotel Exposition and subsequently, here in my office. I have endeavored to rectify this condition by having a mechanic extend the hole for the bolt which holds the brass bearing toward the center of the machine, and by soldering the bearing to the frame.

The whole frame, being made of galvanized sheet iron, seems to be flimsy and the rod still drops out. I note that this sheet metal frame has a number of holes drilled in it which have not been used, has indications of parts having been soldered to it which have later been removed, and I further note that spring guides have been installed and later removed, with rough vestiges of solder left on the brass sloping guides on the upper rear part of the machine. In plain words, this looks like an experimental article and not one that is in production.

The galvanized sheet metal frame is cutting into the metal shafts holding the wooden rollers, grooving these shafts. Suitable bearings of some sort should have been installed for these shafts.



Dirt from the spring coiled belts, on the upper front wooden rollers, so soiled the cards at the Exposition that I had to stop running the machine and go over most of the cards. Some of this dirt might have been paint or tempera from the front of the cards.

Some of the lights for the locations of stores, etc., give two or three indications less brightly illuminated in addition to the correct one, showing that light gets from the hole that it is intended to go through, sideways or otherwise, into adjoining holes. Such an instance occurs in the lights around the Grand Central Terminal. Some of the holes for the locations were wrongly placed, for example, that of my own office. I have had to have these corrected.

The lower push buttons and directory cards on either side of the cabinet are too low for the average individual to read or operate, causing an awkward position in holding the button on, and endeavoring to locate the light on the map. In order to overcome this I had a wooden base made for insertion under the cabinet, raising the cabinet 8". In the opinion of all who have seen this, it has materially improved the aspect of the cabinet, and made is more convenient for people to operate.

The left hand (viewed from the front of the cabinet) vertical board, or rack, for holding the white celluloid cards has bellied or warped inward to a marked degree. If this continues it will have to be replaced.

I note that most of the white celluloid directory

cards bow outwards toward the front of the cabinet, due to the fact that they are a trifle too high. This tends to throw a shadow on the information at the bottom of the cards, and also to slope the bottom of the cards so as to make it difficult for observers to read those cards near the bottom of the cabinet.

While the white celluloid cards have a very nice appearance, they tend to reflect, as mirrors, any lights at the front of the cabinet and give a bad glare. I recommend that a dull white surface be used in the future, or that consideration be given to white letters on a dull black background. The matter of glare and reflections is a particularly serious one in the Park Central Hotel in the location accepted in the contract by Mr. Wallace. This glare is caused by an illuminated "Western Union" sign opposite the cabinet location. The lobby is very poorly lighted and we will have to add lights to the cabinet to make it possible for all to read the directory cards, and possibly the map.

The fact that the movable cards are so far recessed from the front of the cabinet causes a bad shadow for  $1\frac{1}{2}$ " or more on the top of the card, and it becomes very necessary to illuminate these cards. In all future cabinets, thought should be given to insure that the cards appear as near the front glass on the cabinet as possible.

I had to purchase an "Inverter" to use with your A. C. motor which drives the "movable exhibitor", at this office and at the Park Central Hotel, because the electricity supply is Direct Current at both of these locations.

Before I went into this venture with your company, I asked Mr. Wallace how many installations of Direct-U-Systems cabinets were in use. He said he did not know but he believed that there were about thirty (30). Later, in the presence of seven men who were undergoing training as salesmen, someone asked him this question, and he stated that there were about thirty (30) such installations.

Our experiences during the last four weeks with your Direct-U-Systems cabinet has been very disheartening to me and my representatives. It looks as though the "movable exhibitor" had by no means been perfected, and is by no means reliable. I have had it running for four or five hours, on numerous occasions, using a given set of cards, in a manner which appeared to be satisfactory, only to have the aluminum roller drop out or something jam. Hence I am at a loss to understand how such a contrivance can be operating successfully in about thirty (30) installations. I feel that we have been misled. When I have sought to learn where these locations are, your office has refused to tell me.

Please remember that I am a Professional Engineer and that my engineering practice covers a period of over 30 years. I have waited four weeks, during which time I have spent many hours observing the operation of your device, before I have written this letter, hence my conclusions are not those of any snap judgment. Your design is satisfactory but some parts are not.

I realize that you rushed this cabinet to completion for me in a very short time but that is posi-

tively no excuse for any such movable exhibitor being delivered as the one you sent. These machines should cause you and me no doubts and no worries. A test with blank cards of a different weight and size than the one you approved is inconclusive over any period of time.

Please manufacture a sturdy, reliable machine with suitable bearings and parts, and send it to me at your earliest convenience, so that I may put it in the cabinet at the Park Central Hotel, and not have to worry about this matter any longer.

With best regards,

Sincerely yours,

HAROLD S. WEEKS.

[Endorsed]: Filed Sept. 22, 1942.





NO. 100208  
UNITED STATES CIRCUIT COURT OF APPEALS  
FOR THE NINTH CIRCUIT  
FILED

14988-Bkr  
Mkr  
Jampas et al  
21  
81 8 2 1942  
Mkr

JAN 27 1943

PAUL P. O'BRIEN,  
CLERK

# AN INTERNATIONAL SERVICE

3. To the Hotel Selected for a DIRECT-U-SYSTEM Installation.

By rendering an unusual, animated and unique service to its guests which they easily understand and appreciate and stands for a mark of distinction in the service they furnish.

By rendering such service to its guests it saves a great deal of time for the clerks in answering questions and giving directions and at the same time saving the guest the embarrassment in asking. Relieves the clerks so they may attend to other or additional duties.

By assisting the guest locate interesting places of interest in the city a civic betterment.

By assisting their guest in the selection of the outstanding merchant and professional men in the community—thereby protecting the guest.

By adding not only an outstanding and beneficial service but adds distinction to their lobby by the addition of a beautiful and impressive piece of furnishing designed to harmonize with and built to the individual decor of its lobby.

DIRECT-U SYSTEMS pay cash dividends in the form of cash lease rentals in addition to permitting the Hotel to render the above services to their guests.

## THE COMPANY

The DIRECT-U SYSTEMS is the outstanding designer and builder of electrical services and systems.

DIRECT-U SYSTEMS is financially sound, enjoys an enviable position in the industry, unlimited credit standing and well rated with the commercial agencies and banks.

## THIS YOUR GUARANTEE OF SERVICE AND CONTINUOUS OPERATION

Others have attempted to imitate DIRECT-U SYSTEMS in the detriment of the Traveler, the Merchant and Professional Man—and the

NONE can furnish the exclusive features of DIRECT-U SYSTEMS

DIRECT-U SYSTEMS are members of Chambers of Commerce Associations and is an affiliate member of the American Hotel Association, and at which an inviolable of their standing and their

... have been a member of the ... DIRECT-U SYSTEMS ...



DIRECT-U-SYSTEMS

General Offices  
DIRECT U BUILDING  
NEW YORK NEW YORK

FOR FULL INFORMATION  
CALL

HAROLD E. WEEKS  
NEW YORK REPRESENTATIVE

11 WEST 42nd STREET

Longcase 5-7489



# DIRECT-U-SYSTEMS

## DIRECT-U-SYSTEMS USED

...To provide an automatic, instant and graphic means through which a traveler—typically, the guest of a hotel—may be directed in a simple, intelligent and unique method direct from where he is to any desired destination.

...To furnish an animated and automatic change of 8 x 10 photographs, news bulletins, announcements, advertisements in a new and protected method—furnishing a change of announcements approximately every ten seconds—and permitting a change of copy as often as desired.

## DIRECT-U-SYSTEMS OPERATION

...On the opposite page is pictured a typical DIRECT-U-SYSTEMS installation. In the center is a large scale hand drawn map showing the streets and the block numbers of the city in which the DIRECT-U-SYSTEM is located.

...On either side of this map, in position for easy reference, are listings, classified for ease of selection—points of interest, shops, public buildings, theaters, memorials, parks, etc.

...Opposite each listing is a button, which when pressed causes two lights to shine through the map—one spot is red designating the exact location of the DIRECT-U-SYSTEM installed in the Hotel or where the stranger is now standing—

...The other light is white and designates the exact location of the address on the card or listing and is the desired destination of the user.

...The traveler or Hotel guest can readily visualize the route he must follow to arrive at the desired destination. The user immediately visualizes that his destination is so many blocks to the right and then to the left, etc.

## DIRECT-U-SYSTEMS SERVICES

### 1. To the Traveler—the Hotel Guest or Stranger in Town.

...By assisting him reach any desired location in a simple, direct and intelligent manner; including the location of the outstanding merchants and professional men in the community, with virtually a guarantee of their responsibility, as well as places of interest, public buildings, parks, etc.

### 2. To the Merchant and Professional Man.

...By affording him an opportunity to reach a class of people—conceded to be 95% in the upper spending brackets—the class he is most desirous of reaching—in a dignified, unique manner. There is no other medium that will reach this class of people. This class pay cash and can afford to buy the best and all credit, exchange or bargain losses are eliminated.

...It offers more money-spending circulation per dollar than any other medium can offer and we are in position to verify this.

...It affords the merchant or professional man selected to represent his respective line of endeavor an exclusiveness that no other service offers.



DIRECT-U-SYSTEMS



GOVERNMENT'S EXHIBIT No. 22

CHelsea 2—7160 7161

160 Fifth Avenue  
New York City  
40-066

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems  
“An International Service”

December 21, 1940

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

Enclosed herewith please find complete statement which indicates every contract which has been made in connection with all five Direct-U-Systems cabinets up to the present date.

This tabulation shows the date of receipt and the amount of each payment in connection with each of these contracts.

Referring to the first paragraph in your letter of December 6, 1940, in connection with your bill for the second year's rental for the installation in the Park Central Hotel, please note that in your contract paragraph two reads: “(2). The second and succeeding years each 60 space system shall be \$250.00 per year and \$166.67 for 40 space Direct-U-Systems, payable upon installation and collection.” Please note also that paragraph six reads: “(6). Lessor agrees to furnish and install each system



complete and maintain same at its own expense during the life of the agreement.”

You did not furnish the Park Central Hotel Direct-U-Systems complete until a motor which would operate on DC current was received here on June 10, 1940. The two previous motors would not run on the current furnished in the lobby of the Hotel, if it had not been that I purchased an inverter and installed the same at my own expense, for which I have never been reimbursed. Therefore, the inverter was never installed at your expense and the installation was never furnished complete by you prior to June 10, 1940.

According to your paragraph one—(1)—in the contract, the \$750.00 lease rental on the Park Central cabinet was not due prior to “installation and collection”.

I interpret the term “collection” to cover the payment of each payment of an amount due on a contract made by me with a client for service on any particular Direct-U-System. If such be the truth, “collection” applying to paragraph one—(1)—refers to amounts collected during the first year’s operation and “collection” applying to paragraph two—(2)—refers to amounts received on contracts made during the second year’s operation. There have been no collections made on the Park Central cabinet applying to any contracts for a second year, nor have any such contracts been made. Therefore, I do not see how you can claim any payment at all in connection with \$250.00 towards a second year rental, especially as you did not install the

first system complete prior to June 10, 1940, nor did you make such an installation possible before that date. If you had paid the price of the inverter, I would interpret differently.

In your letter of December 11, 1940, you say, "The Breslin Hotel installation was shipped to you on the ninth day of November." In a previous letter you state that it was shipped November 16th.

Referring, again, to your letter of December 11, 1940, you state, "We can not help but feel that you appreciate that by your failing to pay the royalty or account for the royalties, places your contract technically in default."

In this connection, I refer you to the third paragraph of your letter of December 18, 1939, in which you state, "We have also received the summary of the orders received, and it will be perfectly agreeable not to send us our royalty until you are satisfied that the equipment will function properly."

I sent you a photostat copy of this particular letter of December 18, 1939, and bracketed the paragraph which I have mentioned.

It is now over one year since you wrote that letter, and I am not yet satisfied that the equipment will function properly.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

Encs.



## GOVERNMENT'S EXHIBIT No. 22

HAROLD E. WEEKS

COMPLETE STATEMENT OF CONTRACTS AND RECEIPTS ON SAME  
FROM AUGUST 21, 1939 TO DECEMBER 21ST, 1940 (INC.) ON FIVE DIRECT-USYSTEMS  
IN MANHATTAN, N. Y. CITY

Dec. 21, 1940

page 1

Cabinet	Contracts Date	Amt.	Rec'd August 1939	Rec'd September 1939	Rec'd October 1939	Rec'd November 1939	Rec'd December 1939	Rec'd January 1940	Rec'd February 1940	Rec'd March 1940	Rec'd April 1940	Rec'd May 1940	Rec'd June 1940	Rec'd July 1940	Rec'd August 1940	Rec'd September 1940	Rec'd October 1940	Rec'd November 1940	Rec'd December 1940	
												3	5.00							
I Greeley Theatre .....	8/21/39	60.00		15	10.00						4	5.00	24	5.00	21	5.00	31	5.00	21	5.00
I Willoughby Camera Stores, Inc.....	8/23/39	60.00	24	10.00							6	50.00				25	5.00			
I Chinese Village .....	8/24/39	60.00	24	10.00							29	10.00		18	5.00	30	10.00			
PC Robert Thorne, Inc.....	9/ 6/39	90.00		6	15.00								24	15.00				20	15.00	
PC Jean E. Marshall .....	9/ 8/39	90.00		21	15.00							14	15				16	15.00	8	15.00
I Penn. Wine & Liquor Shop.....	9/ 8/39	60.00											26	60.00						
PC The Camera Place.....	9/ 9/39	90.00						3	15.00		29	15.00								
PC Carnegie Hall Auto Rental.....	9/15/39	90.00																		
I Schoepfer's Taxidermy Studio.....	9/21/39	60.00										1	20.00							
PC Merian's Shoes .....	2/29/29	90.00																		
I Broadway Beauty Salon.....	9/29/39	60.00			30	10.00														
PC Federated Detective Bureau.....	10/ 5/39	90.00																		
I Charles C. Alehoff, D. D. S.....	10/ 6/39	60.00																		
I Larry L. Kronrot .....	10/10/39	60.00			10	10.00					25	10.00								
I Benjamin Miller .....	10/10/39	60.00			10	10.00					2	10.00	11	10.00			5	11.00		
PC Solmor Jewelry Co.....	10/19/39	90.00																		
PC Thomas J. Short.....	10/27/39	90.00																		
PC Sonotone Corpn. ....	10/30/39	90.00					21	90.00												

HAROLD E. WEEKS

Dec. 21, 1940

page 2

Cabinet	Date	Contracts Amt	Rec'd August 1939	Rec'd September 1939	Rec'd October 1939	Rec'd November 1939	Rec'd December 1939	Rec'd January 1940	Rec'd February 1940	Rec'd March 1940	Rec'd April 1940	Rec'd May 1940	Rec'd June 1940	Rec'd July 1940	Rec'd August 1940	Rec'd September 1940	Rec'd October 1940	Rec'd November 1940	Rec'd December 1940	
I Harry A. Burgio.....	11/ 1/39	60.00										9	10.00							
PC Broadway Table Tennis Courts.....	11/ 7/39	90.00																14	30.00	
PC Le Roy R. Stoddard, M. D.....	11/ 7/39	90.00									24	45.00		19	22.50					
PC Miss Julie's Dance Studios.....	11/23/39	90.00					9	7.50		23	7.50		7	7.50	5	7.50	26	7.50		
PC Madam Zenda .....	12/ 6/39	90.00					11	15.00												
PC Jay Lord—Hatters .....	12/15/39	90.00					19	15.00			5	30.00	7	15.00	21	15.00				
PC Gem Garage .....	12/21/39	90.00					21	15.00		25	7.50	15	7.50	19	15.00	19	7.50	6	7.50	
GC Willoughby's .....	1/20/40	90.00													22	90.00	17	7.50	18	7.50
			20.00	40.00	30.00	0.00	142.50	15.00	0.00	15.00	182.50	80.00	122.50	45.00	144.00	25.00	38.50	67.50		

[Endorsed]: Filed Sept. 22, 1942.





GOVERNMENT'S EXHIBIT No. 26

Direct-U-Systems  
General Offices - Sixth Floor  
357 South Hill Street  
Los Angeles, California

December 10, 1938

To Whom It May Concern:

This is to certify that Mr. C. S. Wallace whose signature appears below, is a Division Manager of this Corporation, with authority to execute, in the name of this Corporation, our standard lease agreements covering the appointment of exclusive Franchise Owners.

Mr. Wallace has authority to endorse checks or drafts made payable to this Corporation for the sole purpose of converting same into Cashier's checks or to certified checks payable to this Corporation.

DIRECT-U-SYSTEMS (a Corporation)

[Seal] By C. W. TALBOTT,  
Executive Vice-President.

C. S. WALLACE.

Signature C. S. Wallace.

An International Service

[Endorsed]: Filed Sept. 22, 1942.

## GOVERNMENT'S EXHIBIT No. 28

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 16, 1941.

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

I have very recently discovered that there was a franchise operator who preceded me here in San Francisco nearly a year ago. I have this morning had a long conversation with him, I refer to Mr. Ralph A. Burke. I believe that if I had been given the full information in regard to his activities it would have been of marked assistance to me and I do not think that the information should have been with-held.

Mr. Burke states that he did a certain amount of build-up and preliminary work here and that when he severed his connections with Direct-U-Systems, he turned over all of that information to Mr. Marshall. I believe that I should have the benefit of the work that he did and request that you see that the following data is sent to me:

1. A list of all major business firms in San Francisco with the names of directing personnel of each firm. Mr. Burke states that he spent a great deal of his personal time getting together this information and then turned it over to Mr. Marshall.

2. A complete breakdown of the expenditure of the hotel guest's dollar into particular fields of merchandise, amusements, etc. Mr. Burke states that he spent a good many dollars having various agencies secure this breakdown, which goes very much further than the breakdown of the American Automobile Association which has been submitted to me from your office. He states that his breakdown shows, for example, how much is spent for furs, for cameras and photographic supplies, etc., etc.

I have told you in previous correspondence that while we have a great many prospects who are interested, we are having very considerable difficulty in closing those prospects. This is specific information as to expenditures and it may be of real value in clinching these deals.

3. A list of the sales that Mr. Burke actually made. He says that the money was refunded to each and every one and that they should still be good prospects.

I trust that you can get this information together and send it to me promptly.

Yours very truly,  
R. H. BERGEN.

RHB/s  
(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed Sept. 22, 1942.

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GOVERNMENT'S EXHIBIT No. 32

2607 Mira Vista Drive,  
Richmond, Calif.

May 7, 1941.

Mr. C. W. Talbott, Pres.  
Direct-U-Systems,  
7225 Beverly B'l'v'd,  
Los Angeles,

Dear Mr. Talbott,

I have your letter of May 2nd for acknowledgment. I, also, regret that I have been compelled to cease my efforts with Direct-U-Systems, but with the industrial experience I have behind me, I cannot afford to fool along with a proposition that is a fight every inch of the way. I am again very satisfactorily connected in Industry.

I have no desire to hold this territory inactive for the balance of my franchise period, but neither have

I any intention of turning over my contract for mere promises.

I shall be pleased to turn the franchise back to you for a fair and just consideration, but that consideration will have to be cash.

Yours truly,

RALPH H. BERGEN.

[Endorsed]: Filed Sept. 22, 1942.

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GOVERNMENT'S EXHIBIT No. 34

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California

Franchise Owner

Direct-U-Systems

105 Montgomery St.

San Francisco, California

November 30th, 1940.

Direct-U-Systems

7225 Beverly Blvd.

Los Angeles, California.

Attention Mr. Marshall

Dear Mr. Marshall:

We are having difficulty with the batteries in the demonstration model burning out. Have you found any means of protecting them when carried in the case, to prevent contact being made in the switch and so burning the battery out.



We have contacted the Eveready agency here, who sent us to McKesson & Robbins, and in both instances we failed to secure replacements.

McKesson & Robbins said they would get them from the Eveready people, but that we would have to buy them in lots of three dozen at \$2.36 per dozen, whic is preposterous.

Will you please send me six of these batteries. Cannot some means be found to remedy this condition or rebuild the sets with a raised rim about the edges to protect the push buttons.

Sincerely

R. H. BERGEN.

Sent 6 photos mounted of El Cortez Hotel Apts.  
6 Batteries.—Prepaid by T  
(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/22/42.

GOVERNMENT'S EXHIBIT No. 35

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

December 6, 1940.

Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California.

Attention: Mr. C. W. Talbot, President

Dear Mr. Talbot:

I have your letter of December 5th concerning the additional copies of forms D-25 and D-31, for which I thank you.

I appreciate your offer of assistance if needed. As I stated in a previous letter, we are finding that nobody is willing to really do business on this proposition until after the first of the year. I have two very good men who have been making sales calls, and they have made a large number of calls in the nine days that they have been at it, about seventy-five calls in all. They are getting a very favorable reception with comparatively few complete turn downs, but most people after listening carefully, say, "Come in after the first of the year". The boys have quite a few "call backs" to make next week, but I anticipate the final answer on them will

be the same—next year. Also, I anticipate that the nearer we get to Christmas the more that will be true. If you can give me any suggestion as to how to combat that, I will appreciate it.

I would also be pleased to know just what success Mr. Barnes is having in Long Beach. Is he making actual sales, and if so how does he accomplish it?

I am at present running another ad for salesmen and intend to make the utmost use of this month in building up and training my sales force, arranging leases with the hotels we wish to work on, preparing and perfecting prospect lists and in every way possible preparing for the first of the year.

In our solicitation, we are getting no response whatsoever to the El Cortez Hotel. The opinion seems to be prevalent here that it is, to a very large extent, a hotel of permanent guests. In fact the large pictures sent to me a day or two ago from your office showed in very large letters down the front corner of the building "El Cortez Hotel Apts.", which of course does not interest the merchant trying to catch the transient trade. We have no sales made on that hotel nor even any live prospects. On the other hand, many of the people we have called upon have asked about the Palace and St. Francis. Therefore I feel that if we succeed in signing up either or both of those hotels, we will meet with much quicker success, which will have a

marked psychological effect, by working on them and leaving the El Cortez until a later date.

We have closed one contract on the Palace, but naturally, not having closed a deal with them yet, we have accepted no money, nor have we made any promises as to time.

We are negotiating with the Lions Club to take the space on the Sir Francis Drake board as suggested by Mr. Marshall. The results of a call made since writing this do not look too encouraging.

We are negotiating at present with the St. Francis and Palace; will see the Mark Hopkins today, and the Empire as soon as possible.

Mr. Bryant showed me a copy of a contract with the Hotel Oakland. We will want to start on the east side of the bay as early in the new year as possible, so I would appreciate your sending me a copy of that contract.

I have received from you 500 business cards—400 of which were printed complete and 100 lacked a salesman's name, so they will have to go through a press again to be serviceable. As I take on additional salesmen to cover this large territory, am I entitled to additional cards for them, and renewals as needed.

Also am I entitled to additional prospect letters as I need them for additional hotels and other sections of the territory.

What is the status of the contract Mr. Marshall

told me about that is being negotiated with the Bank of America for use of the animator?

With kindest regards, I am

Yours very truly,

RALPH H. BERGEN.

R. H. Bergen

RHB/s

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/22/42.

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GOVERNMENT'S EXHIBIT No. 36

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

December 13, 1940.

Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbot:

This acknowledges receipt of your letter of the 12th and the copy of the contract with the Hotel Oakland. I propose to start work in Oakland just as soon as I can after the first of the year. I want



to get the sale of the Sir Francis Drake well started first. I expect by the first of the year to have at least four good salesmen, so that as soon as the Drake board is really going I can shift one or two of the men to Oakland.

In your previous experience have you found it necessary to accept some contracts on a monthly payment basis with a non-revocable annual contract? We are running into that here. We have established the price on the Sir Francis Drake board at \$120 per year, and plan at present to establish that same price on the St. Francis and Palace. We have sold one space on the Sir Francis Drake board to a well established, large, and old Beauty Salon, but could only get it on the basis of \$10 monthly payments. We have also had two other concerns turn us down on the Sir Francis Drake but express willingness to sign, one for the Palace and one for the St. Francis. Both are highly reputable concerns of long standing so we accepted their contracts without any cash payment subject to our ability to close with those hotels. But here again they both insisted on monthly payments.

There is a problem I wish to discuss with you concerning the Sir Francis Drake board. As the map now appears on that board about 60% of it is south of Market Street in the wholesale, industrial, and shipping section of the City, where there is scarcely a spot that is of any interest to the hotel guests. On the other hand all the major hotels, all of the retail shopping district, all entertainment and night spots, and business and professional men

are north of Market Street, which occupies only about 40% of the map as now shown. Therefore, I think that for the final installation in the Sir Francis Drake a new map should be installed. Incidentally since all the major hotels are within a few blocks of each other in this Market Street and North of Market district, the chances are that the same map will serve for most, if not all, of them. I am enclosing two maps of the City showing in one case approximately the area now shown, and in the other my recommendation of the area that should be shown.

In the meantime the one space we have sold on the Sir Francis Drake was on the basis of \$10 down, \$10 January 1st and monthly thereafter. Therefore, I would like if possible to place his name on the board before January 1st, even tho we may change the whole map eventually. This party has not only taken space on the Drake but has asked for an option on the Palace and St. Francis. We hope to contract with both those hotels next week, in which case this party will sign additional contracts, and at the same time all information will be secured so you could make up the cards for me to go on the present board.

Has it been customary to make any concession in price to a client if he contracts at one time for space on several boards. We have thought that if necessary to secure such contracts, it would be good business to make a price of \$25 per month for three boards instead of a straight price of \$10 per month per board. Would such an arrangement raise any

complications? Would you consider it good policy?

The cards on the Sir Francis Drake animator have become very badly marred due to a bad roller that was on that machine while Mr. Bryant was here. I am enclosing a couple of scraps of one card to show the extent of the disfiguration. It is a bad demonstration and many very desirable clients are looking at that board. The Managers of both the St. Francis and Palace are going to look at it, therefore, I think that we should remove all of those cards and replace them with a few new ones. I am enclosing a sheet of suggested copy for eight new cards; will you kindly have them made up for me and send them as quickly as possible. The present condition of that animator is really very bad.

Sincerely yours,

R. H. BERGEN.

RHB/s

Enc.

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/22/42.

## GOVERNMENT'S EXHIBIT No. 40

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 10, 1941.

Mr. Talbott, President  
Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

I am enclosing two contracts for the Sir Francis Drake Board, together with location chart and copy for 8 by 10 card.

I want to spot these two sales on the map that is now here, then they can also be located on the new map you are making up, which I believe should not be installed until the board is completely sold. Will you therefore please make up the necessary cards, and send them to me. Does Mr. Starkey have the necessary drill to install new lights and do you instruct him on such work or should I?

When at the Hotel today, I noted that the animator is still disfiguring the cards, and the new ones you sent me recently are already beginning to look shoddy. It seems to me that the trouble is with the central rubber roller that rides against the

wooden spool. I cleaned the spool off thoroughly when I put the new cards in, but there is now a black streak on the spool which transfers to the card and forms a black streak down the centre. What can be done to remedy that? Will you please instruct Mr. Starkey and let me have a copy of your letter.

With reference to additional letters for the hotel's use. Their letters are white block letters, all caps, and they particularly wish about three each of the vowels in the one inch size.

With best regards,

R. H. BERGEN.

RHB/s

(Cut)

Our Direct-U-Systems Direct Buying Dollars to  
You and Tell Your Message

[Endorsed]: Filed 9/23/42.



## GOVERNMENT'S EXHIBIT No. 42

H. R. Browne

Phone GARfield 7700

Resident Manager

Golden Gate Direct-U-Systems

Franchise Owner

Direct-U-Systems

580 Market Street

San Francisco, California

September 24, 1938.

Direct-U-Systems,  
357 So. Hill Street  
Los Angeles, Calif.

Gentlemen:

I realize it is inconvenient, to say the least, to be unable to see you in person for a discussion of our mutual interests, however, will have to make the best of the situation and try to progress by the slower and somewhat unsatisfactory medium of correspondence.

I am sure you will realize that the questions I ask from time to time are propounded in all sincerity and are questions that are being asked here in San Francisco, and are natural queries arising in an effort to promote and pioneer a new deal, therefore, please do not ignore them but give me either a "yes" or "no", or some reasonable explanation that will be of assistance.

Several weeks ago I wrote you about the 8 & 10 cards stating that both advertisers and hotels would insist upon these cards being lettered in a union

shop here in San Francisco, and as you are familiar with the labor situation in this City it will be unnecessary to dwell further upon this subject. You have failed to answer my letter. Please give me some kind of a reply as to your position in this matter.

Another question is being constantly asked here. Have you installed the Cabinets in Los Angeles and in what hotels? If you have a Los Angeles installation a picture of the lobby taken at a distance of 15 or 20 ft. from the Cabinet would help. This picture might aid in overcoming the constant request to see a full size Cabinet, the subject of several previous communications. Have you an installation in any other City, I mean one carrying the 8 & 10 movie cards? Copies of the letters shown the writer from the Multnomah and New Washington Hotels should be available.

Now, for an important feature developed during the experience of the last month. Many of the large advertisers, Department Stores, Transportation Companies and others place all advertising through an Agency. The latter exacts a 15% commission. The Sales Manager or Salesmen must be paid up to 25%, therefore, if the franchise owner is stuck for this 15% the margin of profit is much less than 10%—practically prohibitive. Has this situation arisen in your experience and how is it being handled? Also, is there a quantity discount in the event an advertiser takes three or four locations on each board?



ber 27th and if we can both translate the spirit of our letters into definite action, we may be able to "go over the top."

A week ago the local advertising club sent me a man, Bert Van Cleve, who has had extensive advertising selling experience and is a high class man, with the best of recommendations. I engaged him as a Sales Manager, hoping the third chance would bring the winning number. He was out on the firing line this week, with a drawing account against commission of \$25.00 per week, seeking additional hotel locations, that we might have a group to offer advertisers, particularly the large ones.

Herewith you will find leases and location charts covering the following hotels:—

Sutter	—191 Sutter Street
Governor	—Jones and Turk Street
Powell	—17 Powell Street
Mark Twain	—345 Taylor Street
Clark	—217 Eddy Street
Fielding	—386 Geary Street

You will observe the Sutter is for one year, the Governor for two years: this for the reason that these periods represent the tenure of the present leases. Kindly return promptly a copy of these leases, properly accepted.

Incidentally, the copy of the Cortez lease has failed to reach me, and I should have a copy of the Hotel Shaw lease. Also, in your letter, you overlooked advising me about new lease agreements, the form now in use containing a number of glaring errors in spelling.

In your letter of the 27th you state you will make some arrangement to have one of your organization visit San Francisco in the near future, although you deem it inadvisable to do so, pending settlement of strike conditions.

However, Mr. Van Cleve, with two other sales persons, will start out Monday to sign advertisers: the former believes he has a method of approach that will overcome the strike complex. Please, if at all possible, make your visit at once; certainly within the next week would be ideal. By that time we will have a hotel lined up for the sample board and hope it will be the Plaza. You could then size up the situation at first hand, get the information you need to complete the board, facilitate its speedy installation, thereby greatly helping to break down sales resistance.

I appreciate your concession as to having the 8 x 10 cards made here in San Francisco. Please advise as to the weight of the stock on which these cards are to be printed.

There are a number of other questions of vital importance in connection with our deal, but we can discuss them when you reach our city.

I am very positive that you will be amply rewarded by making this personal visit to San Francisco without delay.

For instance, the patent situation in connection with Direct-U-Cabinets needs to be discussed very thoroughly, for there is now on foot here an organized movement to duplicate your product, with a few minor changes. This is only one of many an-



gles bearing on our relations together. If we get off on the right foot, we will both permanently benefit thereby.

Sincerely,

H. R. BROWNE.

HRB/N

Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message.

[Endorsed]: Filed 9/23/42.

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GOVERNMENT'S EXHIBIT No. 45

Western Union Telegram

FA9 40 NT-San Francisco Calif 23

1940 Jan 24 AM 6 47

E M SCHUTT—1026 Williamson Bldg Cleve—

You Are Exclusive and the Only Representative Direct-U-Systems Ever Had in Your Area. Any Action Preventing or Interfering Your Operations Will Provide Grounds for Damage Action Against Them. Continue Your Operations Will Protect You Against Any Action Started.

Direct U Systems Talbot . . .

[Endorsed]: Filed 9/23/42.

## GOVERNMENT'S EXHIBIT No. 47

Direct-U-Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

January 30, 1940.

Mr. E. M. Schutt

1026 Williamson Bldg

Cleveland, Ohio

Dear Mr. Schutt:

Mr. Morgan has forwarded us your letter of the 25th, as well as his answer of the 26th, and we feel that you are being unduly exercised over any possible competition.

We are at a loss to understand why you should let the Robot or any other competitor make you feel you have no chance, for there is no question that our equipment is superior in many ways, and we have advantages and features that none other have.

Apparently the franchise operator for the Robot has made a complete failure and realizes that you are able to become real competition to him and do a job that he has apparently failed to make good on, and this is the reason that he has been attempting to discourage you.

As we wired you and wrote you, if anyone interferes with your operations or attempts to embarrass you to the extent that it is detrimental to your operations, we feel that you would be within your rights to assure them that they had better be able to

take care of a substantial damage suit, for this is most certainly what would be brought about.

You have a lease on the New Amsterdam and we would suggest that you complete the selling on this cabinet first, before worrying about leases on other hotels, for as we advised you, you will have no difficulty in getting all the leases that you want after you have shown the hotel men that you can and will put it over.

You can readily appreciate that the hotel man wants new and outstanding service for his guests, and this is the one thing that he is always striving to attain.

As far as getting the other hotels, we feel that you will have no difficulty, although it may prove to be somewhat of a nuisance if your competitor has made a nuisance of himself in contacting the hotels. We suggest that you go ahead and work on your New Amsterdam and get it installed, and by that time you will find that the competition has completely fallen by the wayside.

As far as our contract, we did not agree, as you can readily appreciate if you will read your copy, as to any specific number of hotels. We ordinarily recommend to our division managers that they secure one hotel for the franchise operator, and let him go to work on it, and he will be more successful than if he has a great number of hotels and goes out and tries to solicit subscribers on all of them, instead of consummating one or two.

You can readily appreciate that for you to have five or six hotels and attempt to sell on all of them,

that the natural result might be that you would have the spaces about one-half sold on five or six locations and none of them completed.

Mr. Morgan has assured us that Mr. Mark Regan appreciates the fact that our service does render an outstanding civic betterment and by the change of rotating cards, it affords the subscriber a service that he cannot get in any other way, and he can constantly keep his publicity apace with the seasons or his special items that he desires to publicize.

As far as competition, we know that competition is the life of business and you most certainly should not let this get you down, as we are at the present time building an installation which goes into Washington. The franchise operator there ran into a competitive operation, with the natural result that after the competitor's salesmen viewed our equipment, they immediately made application to go to work for the Direct-U-Systems' representative, and very freely stated that our service offered more than they were able to give, and consequently they were interested in making this change.

It is very easy for you to call to the attention of any hotel that holds a competitor's lease, that undoubtedly it is not an exclusive lease, and they are just as much interested in getting this equipment in, as you are. If you will present this upon sound business principles, you will have no difficulty in gradually getting all of the leases that you will desire.

Referring to one of your paragraphs in which you state that the Detroit company who has taken

over the distribution of Direct-U-Systems in that territory, is under investigation. Of course we know nothing about this, with the exception that we made a very exhaustive investigation, and the men involved in this company maintain an unusually high standing in the community and we might say that they are getting under way and are proceeding very nicely, and we feel confident that it will only be a comparatively short time until they will have their first installation in.

You can readily appreciate that when they secure a lease on such hotels as the Detroit Leland and the Ft. Shelby Hotels, which have an unusually high standard among hotels, that the hotels in Cleveland will very rapidly fall into line. We would strongly suggest that you proceed with the New Amsterdam and by the time that you have it completed, you will find that your trouble-making competitor has died the death that usually occurs to men who are interested in creating trouble instead of proceeding with their work.

[Printer's Note: "Detroit Leland" and "Ft. Shelby Hotels" circled and "Have these ever been actually installed"? written in right-hand margin.]

In reference to your last paragraph relative to the lease rentals between other hotels. According to the schedule which we attached to the agreement, which of course is not a part of it, as we are not in position to compel you to pay your salesmen any stated amounts, nor can we compel you to pay the hotels the amounts that we suggest; but we know



that except in rare instances, the \$100.00 per year secures for us the leases from the best hotels. In fact, we have leases on hotels of approximately 2000 rooms and pay \$100.00.

In order to assure you of our desire to cooperate, and it must have been advisable for Mr. Morgan to add the 10% in there; we will absorb this additional cost in this particular instance and let you deduct it from our royalties.

We feel sure that you will appreciate that this is more than fair, but we are interested in your proceeding and developing your area, and we trust that you will not let some competitor who apparently has made a failure, discourage you so easily, as from the reports Mr. Morgan made on you, we feel that you are an entirely different type.

In closing, please let us assure you that you were quite familiar with each section of the agreement and you will recall that we wrote you immediately when we acknowledged your agreement, and asked you if there was anything pertaining to our agreement which you were not fully in accord with, and thoroughly understood, and it was agreeable.

We assure you that we stand ready, willing and able to more than fulfill our portion of the agreement and we suggest that you forget all about your competitor and go to work on the hotel which you have, and we will start a campaign with the hotels you have stated you are particularly interested in leasing, and feel sure we can assist you in breaking down any resistance.

With kindest regards we are,

Very truly yours,

DIRECT-U-SYSTEMS,

By C. W. TALBOTT.

(Cut)           An International Service

[Endorsed]: Filed 9/23/42.

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GOVERNMENT'S EXHIBIT No. 49

Direct-U-Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

February 8, 1940.

Mr. E. M. Schutt,  
1026 Williamson Blvd.,  
Cleveland, Ohio

Dear Mr. Schutt:

I wish to acknowledge your letter of the 30th and regret that it has not been answered sooner, but we have had quite a lot of illness in our organization.

We are extremely sorry that you are having so much difficulty in getting started and we feel that you are letting some implications get you unduly worried. As far as anyone having identical equipment to ours, including the Rotating machine, we would appreciate your sending us the information on to us as we have never run into it. It is possible, of course, for someone to reproduce an electric di-

rectory but they are not comparable in the value that is rendered to the merchant. We have run into definite cases where the salesmen of the competitor wanted to quit and work on our proposition because they could see the many advantages.

We are not interested, and you should not be interested in the other fellow and his arrangement. You can rest assured that you have equipment that has much more of an appeal than any competitor can possibly have. If you will send us a list of the hotels that you desire to have leases we will write them direct telling them of the many advantages. We feel that the standing of the company and your personal standing, we should have no difficulty in getting them to reconsider in giving you a lease for an installation.

As far as the Better Business Bureau, they are perfectly at liberty to make any investigation they desire as our company is operated on an extremely ethical basis. We, of course, are not in a position either to know or state about any competitor.

We appreciate as well as you must, that it is quite unpleasant on the part of the Better Business Bureau to go out of their way (as you have conveyed the thought) to create trouble for you, as their purpose should be as an investigating organization and not a trouble-making one.

In reference to the National Directories System, we have very carefully investigated their connection with the Robot Map Service and the president of the Robot Map secured the control of the National Directories System a couple of years ago. We know

that they are constantly being tied in with law suits on the National Directories set-up and that they are one and the same company. Of course, we have no information as to the truth of these assertions and there is no way we can secure this information for you.

We did have some information a month or so ago that the salesman of the Robot Company had quit and they were ready to fold up; but again, we are not in a position to substantiate these facts other than we can say it is heresay.

The Direct-U-Systems, nor any of its officers have any connection with the National Directories or the Robot Map Service.

Several years ago the writer did have a financial interest in the National Directories but sold all of his holdings in March, 1938, to Mr. Young who is the president of the Robot Map Service.

Outside of this, there is no other information we can give you with the exception that the Direct-U-Systems has exclusive features that no other company has, and also that the company operates on an extremely ethical basis.

If you do not feel that you have an opportunity to go ahead with this work, of course we will endeavor to work out some arrangement to secure someone to take over your contract which, as you know, provides that you have paid the advance lease rental on two Systems to be delivered to you in accordance with your contract and when you furnish us with the necessary data to complete the equipment.

We feel confident that a man of the type that

you are—judging from the recommendations of Mr. Morgan, that if you would apply yourself to the development of your territory and let the competitor do likewise or as he desires, you will be successful. We suggest that you forget all about the other fellow and go ahead with your business which cannot help but be productive.

Yours truly,

DIRECT-U-SYSTEMS,

By C. W. TALBOTT.

nh

(Cut)           An International Service

[Endorsed]: Filed 9/23/42.

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GOVERNMENT'S EXHIBIT No. 50

Cleveland Ohio.  
1026 Williamson Bld.

February 14, 1940.

Direct-U-Systems.  
7225 Beverly Boulevard.  
Los Angeles, California.

Attention Mr. C. W. Talbot.

Gentlemen,

I am somewhat surprised at your letter of February twelfth. You wrote on February eighth in the next to the last paragraph to the effect that if I did not feel that I could continue you would arrange to get someone else to take over my franchise. Now in this letter of February twelfth you are again



denying the contract calls for five hotel leases and speak of a settlement on an equitable basis.

I am going into this matter in detail once more with you in an endeavor to give you a clear picture of the facts even though most of what I have to say is repetition.

I had my first interview with Mr. Morgan on the evening of November 22, 1939 in his room at The Statler Hotel. That interview lasted for over three hours. Mr. Morgan after having gotten me interested in your advertising medium definitely assured me that it was something entirely new, there was not nor had there been anything like it on the market and that therefor I as franchise owner would have an open and clear field in which to introduce this method of advertising. On the following Friday November 24, 1939, Mrs. Schutt and myself visited Mr. Morgan at his room in The Statler Hotel in order that Mrs. Schutt could also learn at first hand just what Mr. Morgan's proposition was. Mr. Morgan again repeated himself to both Mrs. Schutt and me that this was a new thing etc. This as you will note by my previous letters was not at all a fact and definitely constitutes, "misrepresentation". Incidentally if you need any further proof of my statement you might be interested in knowing that a personal friend of mine has been in to see me who advises me of the following. This gentleman answered a newspaper advertisement last fall or late last summer and subsequently had an interview with the representative of The Robot Map Service whose proposition was identical with that of The Direct-

U-Systems. He did not however take up their proposition but later answered another blind newspaper advertisement and this happened to be Mr. Morgan's advertisement. The gentleman had an interview with Mr. Morgan and he informs me that Mr. Morgan not knowing of his previous interview with The Robot Map Service told him also that The Direct-U-Systems was something entirely new and all the rest of it, just as he, Mr. Morgan, told Mrs. Schutt and myself.

Referring to your statement in this letter of February twelfth and in your other letters that it is not the policy of your company to guarantee five hotels to a franchise owner. Please let me make this point clear to you. It does not concern me at all as to what your general policy is in this respect. I am only interested in my own particular contract and understanding with Mr. Morgan as the representative of The Direct-U-Systems. Returning again to my first interview with Mr. Morgan and again to the second interview accompanied by Mrs. Schutt, Mr. Morgan did specifically, definitely and positively guarantee that he himself would secure for me five good hotel leases and he was so positive that I asked if he had any objections to including this guarantee in my contract. He readily agreed to this inclusion and on Monday, November 27, 1939 he went with me to my attorney and again affirmed to both my attorney and myself that the addition of the word "five" in paragraph seven of my contract meant that he, Mr. Morgan, did guarantee to secure five good hotel leases. If any other interpretation is

claimed after Mr. Morgan definitely assured my attorney and us that he did mean it to guarantee five hotel leases then such interpretation would constitute "fraud".

Repeating other items of past letters let me say again that if Direct-U-Systems are solely interested in the legitimate business of making money through their advertising medium, then it certainly is not to their interest to try to induce me to hold this franchise feeling as I do about the matter.

You speak of working out an equitable basis. I can consider no equitable basis except the re-purchase of my franchise for the full amount of fifteen hundred dollars. In fact that is not even an equitable basis to me as I have invested considerably more than two hundred dollars additional in setting up an office to say nothing of the month and a half of time wasted and the loss of any income for this period. I took over this franchise in good faith, the proof of which is born out in my having spent this additional money and time but due to misrepresentation and non-fulfillment of contract on the part of Direct-U-Systems or it's representative I cannot go forward with it.

I again ask for the amount of fifteen hundred dollars at which time I will return my franchise together with all other items belonging to Direct-U-Systems.

In closing I might inform you that when Mr. Morgan was in Cleveland he contacted the manager of one of the hotels, did not secure a lease, but did inform me that this man was so interested that he

wished he had the franchise. Might I suggest that Mr. Morgan sell this franchise to him.

Very truly yours,  
E. M. SCHUTT.

[Endorsed]: Filed 9/23/42.

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GOVERNMENT'S EXHIBIT No. 51

Direct-U-Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

February 29, 1940.

Mr. E. M. Schutt,  
1026 Williamson Building,  
Cleveland, Ohio

Dear Mr. Schutt:

We wish to acknowledge receipt of your night telegram, and we endeavored to go into detail in our letter of the 16th when we submitted to you a Repurchase Agreement.

We feel that the Repurchase Agreement is extremely fair and equitable inasmuch as by its terms we assume all the costs and expenses of sending someone in there to arrange for the services of a man to take over your area and we also absorb the expenditures of Mr. Morgan's trip there. Of course, these men work strictly on a commission basis and when they select and have completed an arrange-

ment with a lessee they are entitled to their commission.

You can readily appreciate that the company is assuming a tremendous load here by our desire to be fair and equitable. We feel that that area has one of the most productive possibilities in the United States and we are extremely interested in getting it developed.

We have just recently made a shipment of another installation to New York City, and we are in our plant now completing an installation for Washington, D. C., Detroit, Pittsburgh, and several other places. We regret very much that you have not been able to get off to the flying start that Mr. Morgan felt you could do.

Frankly, we feel that this fellow who was a competitor has more or less unsold you on the proposition. If he would go ahead and make his installations, and you would do the same—we know that you would have an installation in very rapidly.

We will appreciate your executing this Repurchase Agreement thus allowing us to ship a division manager in there to arrange for someone to take over the development of that area. We feel that it would be only a short time until we had some installations there and then you would receive the return of the advance lease rental that you have made on equipment. This company stands ready, willing and able to deliver the equipment at any time that you will furnish us with the necessary information.

We assure you that we regret very much that this has not turned out as we all had anticipated. We



feel that this solution would be the best from all points, and one in which the Repurchase Agreement becomes a direct liability on the part of the company in the event they do any development in that area—and you may rest assured that we intend to do. It is something that will clear the situation up the fastest of anything we might suggest.

We trust that you will execute this agreement and return it to us. We will then expedite all possible delay and try to have that territory under operation by the time you return from your trip.

Anticipating hearing from you at our earliest convenience, and with the kindest personal regards, we are

Yours very truly,

DIRECT-U-SYSTEMS

By C. W. TALBOTT

nh

(Cut)

An International Service

[Endorsed]: Filed 9/23/42.

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## GOVERNMENT'S EXHIBIT No. 52

### AGREEMENT

This Agreement entered into this 11th day of April 1939 by and between Direct-U-Systems with general offices at Los Angeles California, hereinafter referred to as the Lessor and Ralph A. Burke of San Francisco, Calif. hereinafter designated as the Lessee.

Now Therefore; in consideration of the premises and the mutual promises of the parties and the con-

sideration passing and to pass from each other to other it is agreed as follows:

The Lessor hereby grants to the Lessee the exclusive right to use and operate the Lessor's Direct-U-Systems in the following described territory for a period of 3 years on the following terms and conditions with the option for renewals for an additional period of 5 years on the same terms and conditions provided 5 installations have been made during the first year:

City of San Francisco, California.

(1) The lease rental on the 40 space Direct-U-Systems shall be \$750.00 each, and on the 30 space systems the lease rental shall be \$500.00 each for the first year payable upon installation and collection.

(2) The second and succeeding years each 40 space system shall be \$250.00 per year, and \$166.67 for the 30 space Direct-U-Systems, payable upon collection.

(3) \$1500.00 upon signing of this agreement. Said payment of \$1500.00 representing payment of the lease rental of the first two systems hereby leased by Lessee from Lessor to be delivered upon demand.

(4) Lessee agrees to pay Lessor 12% royalty in addition to the lease rental above set forth, payable upon installation and collection.

(5) In addition to the above lease rentals and royalties the Lessee shall pay to the Lessor the sum of 40 cents (40c) for each advertising card furnished for the Lessor's subscribers each month, individual

copy for the advertising cards to be used the following month, otherwise the Lessor shall be relieved from the responsibility of furnishing same.

(6) Lessor agrees to furnish and install each system complete and maintain same at its own expense during the life of the agreement.

(7) Lessee shall have the use of the leases of hotels and depots and shall pay lease rental direct to location Lessor in the above designated territory, and it is agreed that all leases shall be made in the name of the Lessor and must be approved by the Lessor.

(8) Lessor shall cooperate and assist the Lessee in securing location leases, hiring and training salesmen and rendering all additional assistance practicable, and shall loan sales equipment to Lessee As Per List Attached.

(9) Lessee shall operate the business in his territory as an independent contractor and shall in no way obligate the said Lessor. This is not an agency or partnership.

(10) All advertising space shall not be sold for less than \$5.00 per month unless agreed to in writing.

(11) This agreement supersedes and voids all previous agreements between the parties and before executing this agreement Lessee has read each provision herein and understands same, and no other agreement or representation shall be valid or binding on the Lessor.

In Witness Whereof the parties have affixed their signatures the day and year in this instrument first above written.

Down payment of Cashier's check for \$1260.86  
and note for \$239.14 to be paid in 30 days.

## DIRECT-U-SYSTEMS

By A. MARTINEZ

Lessor

By RALPH A BURKE

Lessee

Witness:

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Schedule on following page—

ANTICIPATED INCOME AND EXPENSES LESSEE PRO-  
POSES TO EFFECT FIRST YEAR—STANDARD 40-  
SPACE INSTALLATION.

## Income—

40 spaces at \$5.00 per month, or per year .....	\$2,400.00
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## Expenditures by Franchise operator

Lease rental to Lessor.....	\$ 750.00	
Location lease (Hotel) .....	100.00	
Salesmen 15%.....	360.00	
Royalty 12% to Lessor.....	288.00	
40 cards month—or 480 per year at 40 cents each .....	192.00	1,690.00

Net Profit to Lessee each 40 Space in- stallation .....	\$ 710.00
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## Second and following years

## Income—as above

## Expenses—

Lease rental .....	\$ 250.00	
Location lease (Hotel) .....	100.00	
Salesmen 10% (acct renewals) .....	240.00	
Royalty 12% to Lessor.....	288.00	
480 cards at 40¢ each.....	192.00	1,070.00

Net Profit—each installation 2nd and fol- lowing years .....	\$1,330.00
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Standard 30 space installation		
Income—30 Spaces at \$60.00 per year.....		1,800.00
Expenses—by Franchise Operator		
Lease rental .....	\$ 500.00	
Location Lease (Hotel) .....	100.00	
Salesmen 15% .....	270.00	
Royalty 12% to Lessor.....	216.00	
30 cards month—or 360 cards per year .....	144.00	1,230.00
		<hr/>
Net Profit to Lessee each 30 space installa- tion .....		\$ 570.00
Second and following years		
Income as above.....		\$1,800.00
Expenses—		
Lease rental .....	\$ 166.67	
Location lease .....	100.00	
Salesmen 10% (acet renewals) .....	188.00	
Royalty 12% to Lessor.....	216.00	
360 cards year at 40 cents each.....	144.00	814.00
		<hr/>
Net Profit to Lessee 2nd and following years .....		\$ 985.35

## EQUIPMENT

Direct-U-Systems will furnish to Franchise Operator the following equipment:

1. 3 Demonstration Cabinets
2. 3 Illustrated Presentation Books
3. 6 Selling Suggestion Circulars

Furnished Free: Up to—

4. 200 sets Advertisers' Service Agreements (quadruplicate)
5. 20 sets Hotel Lease Forms (triplicate)
6. Hotel Room Reminder Cards (as needed)
7. 200 Advertisers' Map Location Cards



8. 200 Letterheads—Imprinted with name of Franchise Operator

9. 200 Envelopes—Imprinted with name of Franchise Operator.

10. 200 Letters multigraphed on above, filled in with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached. Shipped to Franchise Operator to place in mail.

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Extra Equipment—If ordered additional to above; shipped COD:

Letters as per Item 10, Letterheads and envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred,	\$5.50
Demonstration Cabinets, each,	7.00
Letterheads and envelopes per items 9 and 10, per 100 sets	2.50
Presentation Books, including Selling Suggestion Circulars, each—	1.00

[Endorsed]: Filed Sep. 23, 1942.

## GOVERNMENT'S EXHIBIT No. 54

Direct-U-Systems  
General Offices  
301 N. Laurel Ave.  
Los Angeles, California

April 25, 1939

Mr. R. A. Burke  
625 Hyde Street  
San Francisco, Calif

Dear Mr. Burke:

Your letter of April 24th addressed to Mr. Talbott has been turned over to me for answer. I have also read a few others.

Taking up the question of hotels. I never told you I would or the company would get you any particular hotel. I did tell you however that I felt sure the company would be able to get you a hotel to start on. That the company would cooperate with you in lining up the hotels and I showed you the letter they sent out to the hotels. I suggested that the El Cortez in my opinion would be a good hotel to start on and you agreed and I felt sure it could be lined up but did not guarantee we would get it or guarantee getting any hotels. You figured yourself the hotels would be easy to get in view of the fact they received a hundred dollars. I also showed you how we figured the number of people that came in and out the lobby of a hotel by the number of rooms in that hotel. I went over this with your salesmanager very carefully and he brought the hotel situation up while we were dis-

cussing the deal. But as far as guaranteeing or promising a certain number of people in or out of the lobby, we cannot do that nor can anyone do that, as it will vary on the number of rooms and the location of the hotel. The company tells me that they have sent you copies of leases of eight or nine hotels which includes the El Cortez and the Shaw Hotels, so I don't see as you have any kick coming on this question. In fact Mr. Burke, I think the company has certainly cooperated with you. It seems to me that all you have done is complain instead of getting in and working which is your part of the deal. You read the contract over and we went over it quite a few times and I think the company is living up to it as much as is possible for any one to do.

Regarding the patent. There was very little said about that particular fact. I told you it would be a good thing if there was some competition. The fact of the matter is there are no boards like ours in any hotel in San Francisco that I know of and you had plenty of time to go around and visit these hotel lobbies and check up on them. I still don't see what difference it makes whether they are patented or not. If you get a board in a certain hotel they are not going to let another one in. There is no cabinet made that I know of that has the moving card system in the middle and that to me is the outstanding part of the whole cabinet and that is a feature which you liked very much.

If someone comes along after you have taken this franchise and offers you another cabinet without

a cent down and no royalty, that is a case of being too bad that you did not run into it before you went into this and we are not to be blamed for that. I turned down a party there after you took the deal, who phoned me they would take it, but I told them I had already closed the deal there and I told you about that. He might have offered me twice as much, but in view of the fact that I closed with you and had signed the franchise, it would have made no difference if he should offer three times as much. It does not make any difference what someone else offers you, you knew what we offered and what money you had to put up and you had plenty of time to investigate and you did not look to me like a man that needed a guardian. In fact Mr. Burke you looked like a man who would make a success of this proposition, and you assured me that you could, otherwise I would have made a deal with someone else, as I only interviewed about six altogether.

I am sure if you get down to business and go after it you will do some business as there is plenty there and you have the outstanding advertising proposition there is on the market in my opinion, and nearly everyone I talked to thought the same thing. Your salesmanager told me he had looked at a great many different deals and this was the only one that had real merit and if he had not thought so he would not have signed up a contract to take the deal over, and you told me you thought he was a fine fellow and a high class man and I did too. It seems to me that all you do is crab instead of working, even before you have started. There

was never any question in your mind but that you could put it over, otherwise you never would have taken it over. All this talk about what someone else or a competing company offers you has nothing to do with this deal.

Our contract which you read over carefully very plainly states that the company is to receive 15% and that is what they expect and are entitled to and it is fair and equitable and it does not make any difference if someone else comes along and does not require any royalty—this is our deal and the one that you entered into in good faith. I am sure that you will find this company always ready to cooperate with you in every way in their power and that is all that anyone can do, as it is to their interest as well as yours,

Very truly yours,

A. MARTINEZ

An International Service

[Endorsed]: Filed Sep. 23, 1942.

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[Envelope]

Direct-U-Systems

General Oces

301 N. Laurel Ave.

Los Angeles, California

[Stamped] 3 Los Angeles, Calif. Apr 26 930 PM  
1939 Arcade Annex— Air Mail

Mr. R. A. Burke

625 Hyde St

San Francisco, Calif.



## GOVERNMENT'S EXHIBIT No. 56

Ralph A. Burke  
Manager

PROspect 8110

Burke Advertising Agency  
Franchise Owner  
Direct-U-Systems  
625 Hyde Street  
San Francisco, California

September 12  
1939

Direct-U-Systems,  
301 North Laurel Avenue,  
Los Angeles, California.

Gentlemen;

Due to my absence from the city I was unable to execute your repurchase agreements sooner.

I am enclosing both copies herewith and trust that there will be no unnecessary delay in reassigning the territory.

Sincerely,

R. A. BURKE

RAB/B.

Direct-U-Systems Direct Buying Dollars to You and  
Tell Your Message

## REPURCHASE AGREEMENT

This Agreement entered into this 11th day of August 1939, by and between Direct-U-Systems, of Los Angeles, California, hereinafter referred to as

th party of the first party and Ralph A. Burke of San Francisco, California hereinafter designated as the party of the second part:

Whereas, the parties above entered into an agreement on the 11th day of April, 1939, whereby the party of the second part did agree to lease and did lease two (2) Electric Directory Systems from the party of the first part, and did pay as advance lease rental the sum of \$1500.00.

The party of the second part has not taken delivery of the systems as provided in the above designated agreement and the party of the second part does find himself as unable to fulfil his portion of the above designated contract.

The party of the first part desires to have the territory as provided for in the above contract developed whereby it can collect the royalties as provided under the agreement.

Now, Therefore, for and in consideration of \$1.00 receipt of which is hereby acknowledged, and the premises and the mutual promises of the parties and the consideration passing and to pass from each other to other, it is agreed as follows:

1. The party of the second part hereby agrees to the complete cancellation of the agreement and does renounce and relinquish any and all interests or claims in the agreement as entered into by the parties under the date of April 11, 1939.

2. The party of the first part agrees that it shall pay or cause to be paid to the party of the second part 25% of all the monies it receives from any source either as lease rentals or royalties from the

territory designated in the agreement after sales expense and cabinet costs have been deducted until the parties of the second part have received the total sum of \$1500.00. It is furthermore understood and agreed that First Party shall pay to the Second Party the sum of \$750.00 from first monies received from the reassignment of the territory covered by the contract dated April 11, 1939.

3. The added consideration for the agreement and promise of the party of the first part to pay to the party of the second part the monies as outlined in the above paragraph is based on the agreement of party of the second part to assist and cooperate with the party of the first part in developing and/or transferring of any rights in the territory as outlined in the original agreement.

4. Party of the first part hereby agrees to devote its best effort to place the territory covered by the agreement on a paying and profitable basis without unnecessary delay.

5. Party of the second part agrees to return or deliver sales equipment loaned to party of the second part which is the property of the party of the first part on demand,

It is mutually understood and agreed that this agreement, executed in duplicate, supercedes any and all previous agreements and contains the full

and complete understanding between the parties hereto.

DIRECT-U-SYSTEMS

By -----

Party of the first part

By R. A. BURKE

Party of the second part

Witness:

ORA BURKE

[Endorsed]: Filed Sep. 23, 1942

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GOVERNMENT'S EXHIBIT No. 57

Phone PRospect 8110

R. A. Burke

Merchandising Counselor

San Francisco

1360 O'Farrell St.

May 29 1940

N. H. Marshall,  
7225 Beverly Boulevard,  
Los Angeles, California.

Dear Mr. Marshall;

I acknowledge receipt of your letter and must say that the thing with Telfer did not work out. He was apparently willing to cooperate financially only when he had the whole say and I was to be only a hired hand.

As I had been several weeks without income and as my wife's health was so poorly that she could

not watch over our other little income property I felt that it was imperative that I take a job where I could have an immediate income.

I put Telfer in touch with one of my former associates who can offer him some very valuable assistance should Telfer want it.

Regarding the Drake installation, The suggestion which I made you of selling a franchise for enough to get us all out at once seems very wise to me, especially since with the board here and in good working order it should be a psychologically opportune time to sell such a franchise. I believe it could be advertised on the basis of \$7,500 covering ten installations with a down payment of \$3,000 and the balance at \$750 each installation as sold. Out of the \$3,000 you could pay Brown and myself in full, and also any funds due Hopkins. It would leave you several hundred dollars additional capital to work on.

Since February 29 when you said you could put over an installation in three weeks, three months have passed and you are still a long way from and cash realization. This delay is excessive and not at all in keeping with any decent business ethics. I feel that I have been lenient beyond a doubt and I trust that you will realize that I cannot hold up the matter indefinitely.

Yours very truly,

R. A. B.

R. A. Burke

[Endorsed]: Filed Sep. 23, 1942



## GOVERNMENT'S EXHIBIT No. 60

## AGREEMENT

This Agreement entered into this 9th day of Feb. 1939 by and between Direct-U-Systems with general offices at Los Angeles California, hereinafter referred to as the Lessor and L. C. Whitby of San Leandro Cal hereinafter designated as the Lessee.

Now Therefore: in consideration of the premises and the mutual promises of the parties and the consideration passing and to pass from each other to other it is agreed as follows:

The Lessor hereby grants to the Lessee the exclusive right to use and operate the Lessor's Direct-U-Systems in the following described territory for a period of 3 years on the following terms and conditions, with the option for renewal for an additional period of 5 years on the same terms and conditions, providing 5 installations have been made during the first year:

Alameda, Santa Clara, Sacramento & San Joaquin Counties of California—

(1) The lease rental on the 60 space Direct-U-Systems shall be \$750.00 each, and on the 40 space systems the lease rental shall be \$500.00 each for the first year payable upon installation and collection.

(2) The second and succeeding years each 60 space system shall be \$250.00 per year, and \$166.67 for 40 space Direct-U-Systems, payable upon installation and collection.

(3) \$1500.00 upon signing of this agreement. Said payment of \$1500.00 representing payment of the lease rental of the first two systems, hereby leased by Lessee from Lessor to be delivered upon demand.

(4) Lessee agrees to pay Lessor 20% royalty in addition to the lease rental above set forth, payable upon installation and collection.

(5) In addition to the above lease rentals and royalties the Lessee shall pay to the Lessor the sum of 50 cents (50c) for each advertising card furnished for the Lessee's subscribers each month. The Lessee agrees to furnish not later than the 10th of each month, individual copy for the advertising cards to be used the following month, otherwise the Lessor shall be relieved from the responsibility of furnishing same.

(6) Lessor agrees to furnish and install each system complete and maintain same at its own expense during the life of the agreement.

(7) Lessee shall have the use of the leases of hotels and depots and shall pay lease rental direct to location Lessor in the above designated territory, and it is agreed that all leases shall be made in the name of the Lessor and must be approved by the Lessor.

(8) Lessor shall cooperate and assist the Lessee in securing location leases, hiring and training salesmen, and render all additional assistance practicable, and shall loan sales equipment to Lessee as per list attached.

(9) Lessee shall operate the business in his territory as an independent contractor and shall in no way obligate the said Lessor. This is not an agency nor partnership.

(10) All advertising space shall not be sold for less than \$5.00 per month unless agreed to in writing.

(11) This agreement supersedes and voids all previous agreements between the parties and before executing this agreement Lessee has read each provision herein and understands same, and no other agreement or representation shall be valid or binding on the Lessor.

In Witness Whereof the parties have affixed their signatures the day and year in this instrument first above written.

DIRECT-U-SYSTEMS

By N H MARSHALL

Lessor

By L. C. Whitby

Lessee

Witness:

C S WALLACE

Schedule on following page—

ANTICIPATED INCOME AND EXPENSES LESSEE PROPOSES TO EFFECT FIRST YEAR—STANDARD 60 SPACE INSTALLATION.

Income—60 spaces at \$5.00 per month, or per year.. \$3,600.00

Expenditures by Franchise operator

Lease rental to Lessor.....	\$ 750.00
20% Royalty to Lessor.....	720.00
Location lease .....	100.00
Sales expense (should not exceed 20%)	720.00

Sales Manager (if desired) 5%.....	180.00	
60 advertising cards 8x10 each month, or 720 per year at 50¢ each.....	360.00	2,830.00
<hr/>		
Net Profit to Lessee for each 60 space installation .....		770.00
Lessee acting as his own Sales Manager earning increase .....		180.00
<hr/>		
Net profits where Sales Manager is eliminated .....		950.00
 Second and Following Years		
Income as Above.....		3,600.00
Expenditures—		
Lease rental to Lessor.....\$	250.00	
20% royalty to Lessor.....	720.00	
Location lease .....	100.00	
Sales expense (should not exceed 20% account renewals) .....	720.00	
720 advertising cards at 50¢.....	360.00	2,150.00
<hr/>		
Net Profit each installation 2nd and following years .....		1,450.00
 Standard 40 Space Installation		
Income—40 spaces at \$5.00 per month, or per year .....		\$2,400.00
Expenditures by Franchise operator—		
Lease rental to Lessor.....\$	500.00	
20% royalty to Lessor.....	480.00	
Location lease .....	100.00	
Sales expense not exceeding 20%.....	480.00	
Sales Manager (if desired) 5%.....	120.00	
40 advertising cards per month or 480 per year at 50¢.....	240.00	1,920.00
<hr/>		
Net Profit to Lessee each 40 space installation .....		480.00
Lessee acting as his own sales manager.....		120.00
<hr/>		
Net Profits where Sales Manager is eliminated .....		600.00
<hr/>		

## Second and Following Years

Income as above.....		\$2,400.00
Expenditures		
Lease rental to Lessor.....	\$ 166.67	
20% royalty to Lessor.....	480.00	
Location lease .....	100.00	
480 advertising cards at 50¢.....	240.00	
Sales expense should not exceed 15% .....	360.00	1,346.67
Net Profit to Lessee each 40 space installation 2nd and following years.....		1,053.33

## 24 Space Installation

Income—24 spaces at \$2.50 per month or per year .....		\$ 720.00
Expenditures by Franchise operator—		
Lease rental to Lessor.....	\$ 157.00	
20% royalty to Lessor.....	144.00	
Location lease .....	25.00	
Salesman 20% .....	144.00	470.00
Net Profit to Lessee each 24 space installation .....		\$ 250.00

## EQUIPMENT

Direct-U-Systems will furnish to Franchise Operator the following equipment:

1. 3 Demonstration Cabinets
2. 3 Illustrated Presentation Books
3. 6 Selling Suggestion Circulars

Furnished Free: Up to—

4. 200 sets Advertisers' Service Agreements (quadruplicate)
5. 20 sets Hotel Lease Forms (triplicate)
6. Hotel Room Reminder Cards (as needed)
7. 200 Advertisers' Map Location Cards
8. 200 Letterheads—Imprinted with name of Franchise Operator



9. 200 Envelopes—Imprinted with name of Franchise Operator

10. 200 Letters multigraphed on above, filled in with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached. Shipped to Franchise Operator to place in mail.

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Extra Equipment—If ordered additional to above; shipped COD:

Letters as per Item 10, Letterheads and envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred,	\$5.50
Demonstration Cabinets, each,	7.00
Letterheads and envelopes per items 9 and 10, per 100 sets	2.50
Presentation Books, including Selling Suggestion Circulars, each—	1.00

[Endorsed]: Filed Sep. 23, 1942.

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# GOVERNMENT'S EXHIBIT No. 61.

## VERIFICATION OF ASSISTANCE GIVEN TO FRANCHISE OWNER

Franchise Owner L. C. Whitby

Operating as: Same

Address: 408 Breed Ave. City San Leandro Cal.

Assistance given on (dates) Feb. 27, 28, Mar. 1, 2

By N. H. Marshall as Div. Mgr. of Direct-U-Systems  
(name) (title)

- (X) 1. Hotels (Oakland Hotel Already signed)  
(send copy to Operator)  
(St Marks Approved by Manager)  
(G. Bacon Lease must be signed)  
(by Owner on his return to Oak-)  
(land about March 7 or 8th, 1939)

Name: (Harrison Hotel Lease signed. )

Location: (Contacted Mr. Levingston-Mgr)  
(Whitecotton Berkeley who ap-)  
(proved but before he signed lease)  
(wante to see list of prospects)  
(expected to be contacted so as not)  
(to conflict with register ads. )

(3/2/39 Contacted Phil Riley Mgr Leam-)  
(ington—approved but unable to sign lease)  
(until return of associate from San Diego)  
(next week. )

- (X) 2. Helped secure cooperation or acceptance  
of local Chamber of Commerce Contacted  
J. Delbert Sarber Mgr Berkely C of C as-  
sured 100% co-operation.

- (X) 3. Assisted in securing x Salesmen (also  
Sales Manager x), all as selected by Fran-  
chise Owner as a satisfactory starting  
organization.

Assisted in lining up and signing up sale-  
manager turning over salesmens apps

Copy of agreement negotiated by Mr  
Whitby attached.

- (X) 4. Assisted at meeting in training and informing said sales organization.
- ( ) 5. Helped Franchise Owner find and rent suitable office quarters.  
None needed
- (X) 6. Assisted in compiling adequate list of prospects to be mailed special letters.  
This taken care at time agreement signed Feb. 12th, 1939
- (X) 7. Arrange to contact hotels in Sacramento  
Contacted Claude Gilliam claimant & cost approved Call back next week  
“ Mr. Curry California Hotel—  
Owners have leased—Pick up  
few days.

To: Direct-U-Systems

Your representative named above has done, or assisted me to do, each of the items checked. Accordingly, I have now received all assistance you agreed to furnish me and all supplies for use in my first campaign, and believe that I will be able to carry out my part of our Agreement without further assistance.

Signed: L C WHITBY

Date: March 2, 1939

[Endorsed]: Filed Sep. 23, 1942

GOVERNMENT'S EXHIBIT No. 63

Phone Sweetwood 0419

L. C. Whitby

Franchise Owner

Direct-U-Systems

406 Breed Avenue

San Leandro, California

March 14, 1939.

Direct-U-Systems,  
Los Angeles, Cal.

Gentlemen:

Since receiving your letter, I have again contacted the Hotel managers and have either received a flat "Not Interested" as from Mr. Riley of the Leamington or have been stalled by the remark "I am still looking it up".

It was my understanding the leases were to be supplied by you, since you were to have them in your name and I was merely to lease them from you. It appears that the Hotel Oakland is the only one on my list that you have signed up and that is not in accordance with the lease terms. Apparently that is the reason for not getting any others to sign. It appears the Hotels all check in with the Oakland. Unless you can supply me with the leases, I cannot let the sales force work.

Unless you can comply, I am going to demand the return of my lease deposit.

Yours very truly,

L. C. WHITBY.

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 64

Phone Sweetwood 0419

L. C. Whitby

Francise Owner

Direct - U - Systems

406 Breed Avenue

San Leandro, California

March 22, 1939

Direct-U-Systems,  
301 N. Laurel Ave.,  
Los Angeles, Calif.

Gentlemen:

I am enclosing the contract of the Hotel California for your signature.

In connection with your letter of March 20th, I wish to state that when I entered into the agreement with Mr. Marshall I told him that as I saw it, the hotel contract would be the only difficulty in operating. He stated that that was the company's responsibility and he would get the con-



tracts. He made the calls alone and his notification to me states that the contracts were ready and all I had to do was to pick them up.

It was with that understanding and assurance that I would have 5 or more contracts to work that I accepted the agreement. If there is only 2 or 3, it would not pay me to operate.

As this appears to be the case I have put the proposition to another party to buy out my interest and I believe he will do so.

Yours very truly,

L. C. WHITBY

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 65

Phone Sweetwood 0419

L. C. Whitby

Franchise Owner

Direct - U - Systems

406 Breed Avenue

San Leandro, California

April 17, 1939

Direct-U-Systems,  
Los Angeles, Cal.

Gentlemen:

I am returning your agreement as I cannot see my way to sign it. I can make a better deal here,

if I want to let some one else operate on my money. If you sell the lease to another the sale money should come to me.

If you could return the lease rental of one of the boards and let one be sold at a time I believe that the one for Hotel Oakland could be started shortly. The objection raised by all prospects is "where is one being operated." If a photo or list could be shown it would be the answer. I was assured that they were being operated in many cities in the East but I have been unable to locate any. I am sure it would go well if one was located locally and went in with your assurance that you would see that it was.

Yours very truly,  
L. C. WHITBY

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 66

April 26, 1939

Mr. L. C. Whitby  
406 Breed Avenue  
San Leandro, Calif

Dear Mr. Whitby:

We are in receipt of your favor of the 24th and regret very much if you misunderstood our repur-

chase agreement, as we feel it is an equitable, fair proposition, and one that would be advantageous for you to execute, particularly if you are contemplating a new connection which would take you away from Oakland.

If you have any suggestions as to the basis that you would be willing to enter into a repurchase agreement, please be assured that we are extremely interested in trying to cooperate with you on it, and any suggestions that you have would be given serious consideration.

We feel that the Oakland territory has a great many possibilities and should be developed into an outstanding territory with many good installations.

We will send you some 8x10 cards under separate cover which we trust will be what you desire, although as you know they are individually prepared.

Relative to the prospect hesitating about placing a \$10.00 payment at the time of the sale, it is quite possible that with greater concerns you would feel this is unnecessary. The reason that we have set the proposition up wherein the collection of \$10.00 is made on an individual basis or a local basis, was to overcome the possible skepticism of the local merchant in feeling that he was putting up \$10.00 to an out of the city organization. But this being a local matter we do not think you should have any difficulty along these lines.

If you have any suggestions as to how you can arrange for an installation even though it is not profitable for us, we will be very glad to consider

it, as we will do everything possible to assist in making your territory successful.

With kindest regards and awaiting your suggestions, we are,

Very truly yours,

DIRECT-U-SYSTEMS

By.....

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 67

May 3, 1939

Mr. L. C. Whitby  
406 Breed Avenue  
San Leandro, Calif

Dear Mr. Whitby:

We wish to acknowledge receipt of your recent letter, and you may rest assured that we really want to cooperate with you in every way possible. But we feel that by affording the prospect the opportunity of writing to the various other hotels in other cities, it would tend to slow up your sales in every way possible.

Electrical Directories have been installed in Portland in the Multnomah Hotel, the New Washington in Seattle, and also installations of Electrical Directories have been made in Pittsburgh, Newark, New Jersey, Texas, Virginia, Michigan, Illinois, and quite a few other places. We are confident that with this information passed on to the

prospective advertisers, that they will without a doubt have some friend or acquaintance in one of these cities, whom they will want to ask to contact many of the subscribers on the board, and they will wait for their return.

In reference to repurchasing your contract which we submitted you a repurchase agreement that we felt was equitable. While you state that we have not been out much money, you are quite mistaken on this idea.

While Mr. Marshall does work on a commission basis based upon the royalties that are received from the installation, as you know, it would be impossible to secure the services of any man without advancing certain monies to him to cover his traveling expenses, etc.

While this is a charge against them as advances would be credited from the royalties from future installations, it is nevertheless an outlay of money that it is necessary for us to make, and you can readily appreciate that advertising, printing, equipment, etc., does run into money.

We would be willing however to work out something along the following lines: That we would send a Division Manager in there and select another franchise operator, and pay you out of the transfer not less than \$750.00 and the balance from 50% of the monies we receive out of the lease rentals or royalties, until you have received the full \$1500.00.

We feel sure that you cannot help but admit that this is exceptionally fair and equitable. We regret



very much that this has not worked out for you as we had all anticipated, as we are extremely interested in getting that territory developed.

Mr. Marshall has advised us that you had years of experience in the Banking business and also what a high type man you were, and we can readily appreciate that you would be more happy possibly in the business you had spent many years in, and we desire to cooperate in every way we can in working your affairs around.

If you will advise us immediately if the above is acceptable to you, we will arrange to have it taken care of immediately to eliminate any possible delay.

With kindest regards we are,

Very truly yours,

DIRECT-U-SYSTEMS

By.....

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 69

August 25, 1939.

Mr. L. C. Witby  
406 Breed Avenue  
San Leandro, California

Dear Mr. Whitby:

Your letter of the 16th was referred to me while I was in the north but I did not call on you as there was no definite news that I could give you and I know that you are extremely busy.

We have several prospects that we are endeavoring to close in that area and I have made three trips up north to interview applicants and I was, of course, extremely disappointed that Mr. Schmidt did not take on the territory as I was extremely interested and apparently the thing that has held him up was the adverse conversation with you.

In accordance with our agreement you were to cooperated in every way possible and it appears from the statements of your own letter that you were the direct cause of this territory not being closed and we had a very definite agreement with you of which we have fullfilled our portion and from your letter you apparently have not.

It would have been better had you advised Mr. Schmidt of the true situation on the agreement that you were to receive your monies in accordance with the terms of your agreement when the territory was transferred.

I note with interest and quite some surprise your reference to Mr. Warren and you may feel quite at liberty to take this matter up with him or anyone else you should so desire as we are abiding by our agreement and intend to do so as we are interested in placing that territory on a successful operating basis as we feel it offers unusual opportunities.

As I stated I was quite surprised by your statement that you intended to use the Lodge as a method of contacting Mr. Warren. As you know, I am a member of the same fraternity and one of

the portions of our obligations, as you must recall, was that we were not to use it as a personal gain.

We assure you that we are doing everything possible to get this territory reassigned but you placed in the agreement a time limit. Would appreciate your advising if you are exercising your option on this as we have other advertisements running and we don't desire to create more leads if you are going to take the matter over yourself.

Very truly yours,

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 70

Phone Sweetwood 0419

L. C. Whitby  
Franchise Owner  
Direct-U-Systems  
406 Breed Avenue  
San Leandro, California

August 16, 1939

Direct-U-Systems  
Los Angeles, Cal.

Gentlemen:

It has been three months since you agreed to take steps to dispose of my lease but I cannot see any progress.

The man Mr. Marshall saw last month was very much interested but I believe would not take it over because you had not returned my money. It

looked to him like you were selling the same thing twice. Your advertizments state \$1500.00 secured and returnable. He asked me if I had received my money back and droped it when I said no. I would also know your explanation in that connection also. I had Mr. Marshall's assurance that you meant exactly that.

I expect to discuss it with my friend Earl Warren at our next lodge meeting and would like to know your standing on the ad.

Thanking you for your usual prompt reply.

I am, yours very truly,

L. C. WHITBY

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 71

Phone Sweetwood 0419

L. C. Whitby  
Franchise Owner  
Direct-U-Systems  
406 Breed Avenue  
San Leandro, California

August 29, 1939

Direct-U-Systems  
Los Angeles, Cal.

Gentlemen: Attn Mr. Marshall,

Your letter of August 25th has several statements

I want to clear up. I never talked with your prospect, Mr. Schmidt, but with a mutual friend who I saw at a lodge meeting or he called by phone. It was he who wanted the information which I requested but did not get. He informed me that he was going to request his client to place the money in escrow to pay me off before he would sign up although I told him that I had given you a contract for re-sale.

I would still like an answer to my question. Neither Mr. White or I have ever been able to get a direct answer to any question we have asked which has been the reason we could never get started. If things had been ready at the start we felt that we would have gone ahead but before we could begin the securities I had pledged would not take care of the additional cost of salesmen and because we both felt that we were not getting cooperation. I decided to go after the job I told you about.

The reason I put a time limit on the agreement was because I wanted some action, which I had always been promised but did not receive. I would like to get this settled as soon as possible and assure you that I have and will always cooperate.

I still feel that since you are going to re-sell the franchise and since I am willing to such an agreement, some of my deposit could be repaid to me on the agreement for re-sale. It appears that you operate entirely on other peoples money since even if the equipment had been built it could be



used any where and was not necessarily tied up to me. I am sure the deposit was not used up for this district.

Yours very truly

L. C. WHITBY

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

[Endorsed]: Filed Sep. 23, 1942.

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GOVERNMENT'S EXHIBIT No. 73

C. I. McReynolds  
Advertising

1010 Vermont Ave., N. W.  
Washington, D. C.  
. Tel: METropolitan 3134

Operator of  
Direct-U-Systems  
in the District of Columbia,  
Maryland and Virginia.

Dec. 8, 1939.

Mr. C. W. Talbott, president,  
Direct-U-Systems,  
7225 Beverly Blvd.  
Los Angeles, Calif.

My dear Mr. Talbott:

This will acknowledge receipt of your letter of Nov. 24 enclosing three photographs as per my request of Nov. 22. Thanks.

## Government's Exhibit No. 73—(Continued)

As to your hope that things are progressing rapidly here, I regret to say that such is not the case. It is now two months since I signed an agreement with you and made a deposit of money to show good faith in my desire to make a success of this enterprise. Since that time I have expended approximately five hundred dollars more in expenses and advances to salesmen whom I could not get to work otherwise, and I fear there has been little, if any, result in a practical sense from this effort and expense.

On the one hand we are handicapped by the continuing efforts of the Robot-Map, and on the other by the fact that there has never been but one hotel actually signed up, and that is not one that we can sell so far as we can determine.

When I first met Mr. MacNeill here in Washington he told me that he did not know whether or not he had anything to offer me, and would take a day or two to look into the situation here. A day or two later he informed me that apparently the Robot-Map people had signed up but the one hotel—the Raleigh—and while they might be at work, it would seem that we had a good expectation of getting into this market with the electric Directory of the Direct-U-Systems.

Upon that basis we drew up an agreement, which you approved, and which contained a special provision whereby we could examine into the competitive situation and if we should mutually determine, by the end of the experimental or pre-

## Government's Exhibit No. 73—(Continued)

liminary period on Dec. 31, that there is not a reasonable expectation of making a success of the effort here, we could and would cancel the contract, my deposit would be returned, and we would each write off our own loss in time, effort and expense.

It would look, from one point of view, as if that should be done.

However I wish to recount what we have tried to do in this two months. First we started on the Hamilton hotel, which is the only one that Mr. MacNeill has actually signed up.

I inserted an advertisement in a local paper, for salesmen, in response to which we talked to a number of prospects and selected two. Mr. MacNeill also arranged for me to interview another, with whom I made an arrangement to go to work.

Intensive efforts were made for two weeks, without any result whatever so far as concerns a signed agreement for a "listing". We did not secure a single one, and I am convinced that genuine efforts were made against difficulties and discouragements.

In the first place the Hamilton hotel, while a good hotel, is not one of the first rank. In the second place, it is Washington headquarters for the American Federation of Labor, and we encountered some sales resistance because of that. On the other hand it is well located, and the manager has been ready and willing to cooperate in every way.

Government's Exhibit No. 73—(Continued)

However, we felt that there was too much resistance to overcome; so Mr. MacNeill tried to get the Willard hotel, which is one of the really first-line hotels here; and I feel that if we could have secured that hotel we would by this time have had a fair trial of the merits of this promotional device, and I would have been by now in a position to decide, with reasonable knowledge of the true situation here, whether or not we could reasonably expect to make a success.

However, we did not get the Willard. We did have a sort of understanding whereby we could go ahead and try to sell the listings for that hotel, at our own risk should the hotel finally decide not to lease the desired space.

Upon that basis we did go ahead for four more weeks; the two salesmen who answered the adv. had by this time quit, as they could not make a go of it. I made an arrangement with the remaining salesman for advances, in order to keep him at work and get a fair survey of the market; and I am satisfied that he tried hard, covered the territory fairly well, and did the best he could; but he did not secure one single signed agreement to advertise in the proposed electric Directory. He did have an understanding with certain advertisers who appear in an "Index" which is placed in each room of the Willard Hotel, and some of these advertisers did agree to go on the electric Directory on special terms, which were justified by the fact that the Willard hotel would not agree to con-

## Government's Exhibit No. 73—(Continued)

sider leasing space to the electric Directory unless these advertisers were taken care of, in the sense that they could either be persuaded to agree to advertise on the electric Directory, or we would not accept competitive advertising in that particular line or classification.

At any rate, we made a genuine effort; but time went on and we did not have the Willard hotel signed up; and conferences with the manager indicated that we were pretty much at risk in working on that hotel, and in any event it would still be some time before the matter could be definitely decided.

That left me with nothing to sell, and I discontinued sales efforts. As I have previously said, in these two months I have expended approximately five hundred dollars in an effort to survey this market and get into it sufficiently to base an expectation of final success; and I may say that if we had actually secured the Willard hotel, I do believe we would be successful in two or three months in filling a board, and I would have been willing to continue the expense, and get the first Directory installed and in operation, even if I did not make a cent of net profit on it.

However, we now have nothing to sell; it seems useless to try to sell the Hamilton hotel as the first one to be installed because I think sales resistance is too great.

Mr. MacNeill has canvassed all of the other hotels whom we consider suitable, and has not se-



## Government's Exhibit No. 73—(Continued)

cured the consent of a single one, although several indicate that if they could actually see and examine this Directory in operation here, they would consider having it in their hotel.

We have thus a list of prospects consisting of the Capitol Park, the Annapolis, the Willard, the Washington, and others, not one of which will actually sign on the dotted line under present conditions.

For lack of a hotel to sell, we have no sales efforts being made, and thus are not making any progress toward a board or cabinet that we can install.

I think, and I am convinced, that both the hotels and the merchants are influenced by the efforts the Robot-Map people have made during these two months. They were at work when we made our agreement on October 6; we knew that, but it seemed to me that they might not greatly handicap us; they continued to work without any particular success, and I feel that this has been a substantial obstacle to our success, because it would have been better if they had succeeded in completing their board and getting it into operation in the Raleigh hotel; I am sure it would have been better for us, than for them to fail, so far, to complete the board they are working on.

As a result of this failure to get progress, and as a result also of our own sales efforts, they cut their price from \$156 a listing to meet our price,

## Government's Exhibit No. 73—(Continued)

\$60. and this has ruined the market for the time being, as the merchants naturally feel, and say, that if they cut from \$156 to \$60 what sort of a cut are we going to make, and all the merchants have to do is to hold off and wait for a lower price; so they will not sign up.

As to the hotels, the competitive situation has had much the same effect. Robot-Map offers a hotel \$500 for the first year; I can't meet that price, and I was told frankly at the Mayflower hotel, which is one of the very best, and one that I desire much to have, that what we can pay is insignificant, and they get much more than that from one single display cabinet which is placed in the main lobby.

That may be true, but the cabinet in question contains the display of a jeweler, who can undoubtedly afford to pay \$100 a month or some such price for his display of jewels in the main lobby.

At any rate, the hotels we want say they want to see a Directory in actual operation, and in view of the damage that has been done in this district by the competitive efforts I don't see that they are not justified in asking this.

You and I may know or feel or believe that the electric Directory of Direct-U-Systems is far superior to the Robot-Map, but unless we can convince the hotels and the merchants of that, we can't turn our own personal belief or opinion into

Government's Exhibit No. 73—(Continued)  
practical results in the form of contracts or agreements, and that is what counts.

In this connection I did not get any actual contact with the Robot-Map people until we started on the Willard (in spite of not having a contract with the hotel) and after we had started to make the fur fly on that, for a few days, two of the Robot-Map salesmen came to my office to talk to me and get some information; my salesman was here with me and we went over the situation, with nothing to conceal, and they admitted frankly that on the basis of \$60 a year we had much more to offer than they had, even at the same price; in fact, they hinted that they wanted a job with me, but I said that they would have to be free agents and entirely in the clear with their present employer before I would talk definitely about putting them to work, so they left, and I said if they were out of a job and free of obligations to anyone else, to come up and see me, but they never came back. I was informed, however, that the Robot-Map people immediately began to offer their service at our price of \$60 and so far as I know that is the basis on which they are working now.

We therefore have this situation to consider; we cannot secure the hotels we want until and unless we have a demonstrator actually installed and in operation.

We cannot renew our sales campaign until we have a definite hotel to sell, and after my expe-

Government's Exhibit No. 73—(Continued)  
rience with the Willard, I want a signed agreement before I start any further sales expense.

As things stand, and without any modification of our present agreement, it is my feeling that I am justified in asking that the agreement be cancelled and my deposit of \$1500 returned to me, and I will take my loss on the expense and time and effort made up to this time.

I feel that such action will be consented to by your representative here, so far as he may have authority to act or render an opinion.

I also assume that you yourself would consent to such a termination of the effort, in view of conditions that have developed, and my sincere and earnest efforts to make a go of the enterprise.

However, I have this suggestion to make: I do not feel that Direct-U-Systems is simply looking for suckers to put up some money that they have an excellent chance of losing. I do not feel that Direct-U-Systems wants the franchise operator to take All the risk. It was impressed on me in dealing with Mr. MacNeill, and with yourselves by correspondence, that you felt that it is only right for a prospective franchise operator to show his good faith and his determination to make a genuine effort to succeed, bu putting up a certain amount of money; with that money up, he would not be inclined to accept defeat too easily; But, if conditions and circumstances should show that the particular field does not show a reasonable expectation of success after genuine efforts are

Government's Exhibit No. 73—(Continued)  
made, it would certainly do Direct-U-Systems no good, and would not be their policy, to retain money which has not been honestly earned and which has done the depositor no good.

If this is the situation as to your policy, and we are mutually concerned in making every possible effort to develop this market in Washington, D.C. then perhaps we can take a look at a possible modification of our present agreement, and approach the problem from a somewhat different angle.

I do believe that we have gone as far as we can go by our present methods; obviously, we cannot secure the cooperation of the hotels, and their agreement for the necessary space, on our present approach; they may look at a photograph and listen to a presentation talk, but it doesn't get results. They won't let us have the space without an actual physical demonstration of the machine.

That is good psychology and I take it there is no argument about the advantages of an actual demonstration if one can be arranged. I assume that what you did in New York was to set up a sample Directory in the Grand Central Palace so the hotel managers, and the merchants who are prospects to be advertisers, could see it and how it actually works.

Then I assume that you are taking down that Directory and rebuilding it, to be installed in a definite hotel.



## Government's Exhibit No. 73—(Continued)

That, it seems to me, is what we should do here; but I am not going to take all the risk of such a procedure, let the experimental or preliminary period come to an end on December 31, and then be committed to get my money out of the Directory, if I can find a hotel that will take it and merchants that will advertise in it. That wasn't what we talked would be the set-up when we made our agreement; and since I believe, and summe you do also, that the best basis for a permanent, satisfactory relationship is fair dealing on both sides, I equally assume that we can now come to a modification of the present agreement which will let us fairly divide the risks, and join in a common effort to go on to success.

I therefore make the following suggestion:

1. We consider that the present agreement is modified to permit of the following action, without prejudice to its terms and conditions as to cancellation of the agreement if the proposed operations prove to be impossible to carry out.

2. Direct-U-Systems will as soon as convenient construct a sample or demonstrator electric Directory which it will install in a hotel in Washington, D.C. to be selected as the place of the demonstration.

3. I will endeavor to secure as many listings as possible for such demonstration, without cost to the merchants, so that we can show as full a board as possible, together with a reasonable number of places of interest, and in every way have the cabi-

## Government's Exhibit No. 73—(Continued)

net as complete as reasonably possible in order to present a good appearance and give to the hotel managers and merchants a demonstration of the appearance and operation of the electric Directory. There will, however, be no income from the listings on such demonstrator for the period of demonstration.

4. I will compensate the hotel for the use of the space for the period of the demonstration. Such hotel will be selected as soon as possible after acceptance of this modification of agreement by Direct-U-Systems and I will cooperate to the fullest extent in having the demonstration a success.

5. As soon as the demonstrator cabinet has been installed an effort will be made to actually sign up lease agreements for additional hotels. In this connection Direct-U-Systems must cooperate because the lease agreements are in its favor, and the franchise owner is only permitted to use such leased space because of the franchise agreement.

Obviously it is vital and essential to secure one, two or three hotels in order to give the enterprise a further trial. If after demonstrating the cabinet, no further hotels can be secured, then the agreement between us will be cancelled and my deposit returned to me.

If further acceptable hotels can be actually signed up by lease agreements so that we can have a sure basis on which to proceed, then

6. I will advertise for and secure salesmen, preferably at least three, whom I will direct in an

## Government's Exhibit No. 73—(Continued)

intensive campaign to secure actual agreements or contracts for advertising on a cabinet to be specified; that is, we will select the hotel considered most likely to give us success, and will all of us work as effectively as possible to secure such a number of listings as will enable us to reasonably determine whether or not the effort will be successful.

I will advance to the salesmen the usual commission on each signed contract they secure, otherwise they will not work, and it is quite apparent that we cannot collect anything in advance from the merchants, as they will not pay anything until actual installation in the hotel in which the cabinet is to be permanently installed.

I will thus be at risk as to all commissions paid to the salesmen, conditioned on whether or not we actually go on to complete at least one cabinet in a designated hotel where it will be commercially installed as opposed to installed for a demonstration only. I am willing to take this risk and to pay such incidental expenses as may be necessary, in order to endeavor to make the business a success.

It is my opinion that the period of demonstration to hotel managers, after the demonstrator cabinet is actually installed, will be 7 to 10 days; and that following this, based upon signing up a definite hotel on which the salesmen will work, there should be a demonstrator period of about 30 days,

Government's Exhibit No. 73—(Continued)  
which will give us time, if we work hard, to determine what the chances of success are.

7. If the chances of success are then considered to be reasonable, by myself and by your representative, the agreement under which we are now working will become final and in full force and effect; and the deposit of \$1500 will thereafter not be subject to demand to return to me.

If however the chances of success are then considered and determined to be reasonably such as not to give promise of success by good steady work and efforts, in the opinion of myself and your representative, then I am still to have the right and privilege to terminate the agreement and to receive back my deposit of \$1500, under like conditions as at present, that is to say, each party stands its and his respective expenses and losses incidental to the efforts made, neither has any claim on the other excepting my claim to receive back the deposit, and we will then close the matter on such terms; failure of the two parties to agree to give rise to arbitration of the matter.

I don't want any lawsuits and I don't want any improper advantage. I assume, as I have said, that if we can't reasonably make a success of this enterprise by reasonably hard efforts and plans, you don't want my money just because it is in your hands as a deposit; and I can't see why we can't continue a joint effort to put this business over, to which end I am willing to continue time, efforts and some reasonable expense and risk

## Government's Exhibit No. 73—(Continued)

of incidental costs, and you ought to be willing to risk the cooperation required of you, principally the installation in a selected hotel in this district of a demonstrator cabinet.

If you agree, the present agreement between us will be considered to be modified accordingly, which means, as I see it, that you will not prepare a cabinet for installation for some three or four weeks; then time of transit, and then installation, say it could be installed somewhat before the 1st of February; if we could have it installed by Jan. 20, then we could complete the demonstration to hotel managers, and get a definite hotel signed up, by Feb. 1, which would give us the whole month of February in which to carry on the effort to secure merchants to advertise on the cabinet, and come to a final determination of prospects for success by the end of February. This is approximate, but gives you an idea of time limits, more or less.

I believe in your fairness and good faith, hence I expect that this modification will be accepted and agreed to by your company. Otherwise we cannot proceed further; that is evident from the fact that I have no hotel to sell, and the hotel managers will not lease space without actually seeing the appearance and method of operation of the Directory.

It is all right for you and me to believe implicitly that the electric Directory of Direct-U-Systems is superior to anything else; but we are not the people who are going to lease space in the hotels, nor



## Government's Exhibit No. 73—(Continued)

the people who are going to pay money to advertise on the Directory.

They won't either one of them sign up without seeing an actual demonstration, and I am suggesting a way by which we can proceed to give them a demonstration, under a fair division of risks and expenses, and with a fair provision for a termination of our agreement if our efforts come to naught in spite of all we can do.

I heard that Mr. Marshall was going to come here for a visit of a day or two; I wish he would, so he could see what the true situation is.

He could also determine for himself, what I believe fully to be a fact, and that is, that we can secure the services of a competent, reliable electrician to make any changes necessary in the wiring of the cabinet; to rewire the cabinet for permanent installation; to add further listings by correctly wiring such further or additional listings; and by maintaining the cabinet in proper working order during the demonstration period, and after it is permanently installed in a selected hotel.

I would be glad to have your reaction to these suggestions, at your early convenience; and to assure you of my earnest and honest efforts toward success if we can proceed along these lines, for a further experimental or preliminary period which is necessary by actual existing conditions and the state of the market caused by the efforts of competitors and their disastrous cutting of the price to such an extent as to almost ruin the business

Government's Exhibit No. 73—(Continued)  
here, for a time at least. It will take extraordinary efforts to carry out a successful campaign under such conditions, but it is reasonable to expect that we can do so if we work together along lines that are fair to each party.

Sincerely yours,

C. I. McREYNOLDS

[Endorsed]: Filed Sep. 24, 1942.

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## GOVERNMENT'S EXHIBIT No. 75

### THIS AGREEMENT

made and entered into this 22nd day of October, 1940, by and between Direct-U-Systems, a California corporation with principal place of business at Los Angeles, California, herein termed "Lessor", and Arthur K. Barnes with permanent address at 401 Scott Place, Pasadena, California, herein termed "Lessee",

Witnesseth: That in consideration of these premises and the mutual promises of the parties, and of the consideration passing and to pass from each to the other, it is hereby agreed as follows:

1. Lessor grants to Lessee exclusive license to use, operate and maintain Lessor's so-called "Direct-U-Systems" for a period of three years from date, in the following-described territory, being part of the State of California, U. S. A., to wit:

Cities of Long Beach, Santa Monica, Glen-

dale, Pasadena, the area commonly known as Hollywood; the boundaries of which are considered on the east by Western Avenue; south by Santa Monica Blvd; the west by Fairfax Avenue; and north by the Hollywood Hills; also the city of Beverly Hills; the counties of San Bernardino and Riverside, Orange and the territory adjacent thereto as outlined by the attached map, excluding the city of Los Angeles except the area as herein specifically set forth and included.

2. It is agreed that the total number of Direct-U-Systems which Lessee may reasonably expect with due diligence to install and maintain within said territory is Four; but Lessor shall supply to Lessee all Direct-U-Systems Lessee may lease to install within the described territory hereunder; and if Lessee shall so lease and install Four Direct-U-Systems within the effective period hereof, then Lessee shall have the option to extend this Agreement in all its terms for an additional period of Ten years.

3. Lessor shall lease to Lessee, and Lessee shall take from Lessor, as personal property with title remaining in Lessor, certain Direct-U-Systems (with supplementary material) under the following terms:

(a) For each Direct-U-System: a lease rental of seven hundred fifty dollars (\$750.00) covering the first year after delivery by Lessor, and a lease rental of two hundred fifty dollars (\$250.00) for each year thereafter.

(b) In addition to lease rentals, Lessee shall pay to Lessor a royalty of fifteen percentum (15%) of all moneys received by Lessee for use of space on Direct-U-Systems, and thereto shall transmit promptly to Lessor a copy of each agreement made concerning space on each Direct-U-System leased hereunder.

(c) All said lease rentals, except as specified below, shall be due and payable thirty days after delivery by Lessor of the Direct-U-Systems concerned. All said royalties shall be due and payable upon receipt by Lessee of payment for space rented.

4. Lessee hereby at this time leases from Lessor two (2) Direct-U-Systems, and Lessee hereby remits to Lessor the amount of Fifteen Hundred Dollars (\$1500.00) as payment complete of first year's lease rental thereon.

5. Lessor shall deliver Direct-U-Systems to Lessee at any City railway depot designated by Lessee, promptly after receiving full specifications and shipping instructions from Lessee. On all Direct-U-Systems installed hereunder, Lessor shall maintain, replace or repair as made necessary by damage or mechanical failure, without expense to Lessee, and the Lessor guarantees and agrees that each Direct-U-Systems installed by Lessee shall be free from mechanical and other defects, and shall at all times continually operate, and Lessor shall hold Lessee harmless from any loss, damage or liability arising by reason of any defect or failure of operation.

6. Lessee shall have full use and advantage of all leases of locations for Direct-U-Systems secured in Lessee's territory and shall pay the rentals on such locations as he utilizes. Lessor and its agents shall cooperate with and assist Lessee in Lessee's operations hereunder, including assistance in training Lessee's salesmen, and shall give and/or loan Lessee on request, sales promotion material as per list attached hereto.

7. Lessee shall operate hereunder solely as a Lessee and independent contractor, and nothing shall be done or required hereunder which might constitute Lessee an agent or partner of Lessor, or by which Lessee may create any liability for Lessor not specified herein. This Agreement contains the full understanding between the parties, and no agent of Lessor is authorized to modify it, or to add other than reasonable items per Lessors instructions in spaces provided therefor. This Agreement supersedes and cancels all previous agreements between the parties.

In Witness Whereof the parties have affixed their signatures upon the day first written herein.

DIRECT-U-SYSTEMS

By C. W. TALBOTT

Pres.

Lessor

ARTHUR K. BARNES

Lessee

Lessee



ANTICIPATED INCOME AND EXPENSE

First Year

Breakdown on anticipated Income (gross and net) for the  
First Year, based on 20 Spaces Rented at the rate of  
\$156.00 per year for each space.

Income:

20 rented spaces at \$156.00 per year \$3,120.00

Expenditures by Franchise Operator:

Lease rental to Lessor.....\$ 750.00

Location lease (Max. 10%) Average  
\$100 yearly ..... 312.00

Selling Expense—should not exceed  
20% ..... 624.00

Sales Manager (if desired) 5%..... 156.00

Royalty to Lessor: 15%..... 468.00

Estimated total expenditures..... \$2,310.00

Net Profit to Franchise Operator, each in-  
stallation ..... 810.00

Lessee acting as his own Sales Man-  
ager earning increase ..... 156.00

Net Profit when Sales Manager is  
eliminated ..... \$ 966.00

Second—And Each Following—Year

Income: as above ..... \$3,120.00

Expenditures

Lease rental to Lessor (Reduced from  
\$750.00) .....\$ 250.00

Location Lease (Maximum: 10%) ..... 312.00

Selling Expense — should not exceed  
20% ..... 624.00

Sales Manager (if desired) 5%..... 156.00

Royalty to Lessor: 15%..... 468.00

Estimated total expenditures..... \$1,810.00

Net Profit to Franchise Operator, each  
installation ..... \$1,310.00

Lessee acting as his own Sales Manager earnings increase .....	156.00
Net Profit when Sales Manager is eliminated .....	\$1,466.00
*****	
Eight installations First Year .....	\$7,728.00
Eight installations Second Year and Each Succeeding Year .....	\$11,728.00

## EQUIPMENT

Direct-U-Systems will loan to Franchise Operator the following equipment:

1. 3 Electrical Demonstration Cabinets
2. 3 Illustrated Presentation Books, (Zipper Cases)
3. 6 Selling Suggestion Circulars  
Furnished Free: Up to——
4. 200 sets Advertisers' Service Agreements Imprinted (quadruplicate)
5. 20 sets Hotel Lease Forms (triplicate)
6. Hotel Room Reminder Cards (as needed)
7. 200 Advertisers' Map Location Charts
8. 200 Letterheads—Imprinted with name of Franchise Operator
9. 200 Envelopes—Imprinted with name of Franchise Operator
10. Letters and envelopes multigraphed on above, filled in and addressed with names and addresses of Franchise Operator's prospects, from list furnished by him, with 2c stamps attached, shipped to Franchise Operator for his signature and mailing prior to Salesman's contact.
11. 250 Folders—To include in the advance letters.

Extra Equipment—If ordered additional to above;  
shipped COD:

Letters as per Item 10, Letterheads and Envelopes printed, letters multigraphed, names and addresses filled in, no postage, per hundred.....	\$ 5.50
Electrical Demonstration Cabinets, each.....	7.50
Letterheads and envelopes per items 9 and 10, per 100 sets .....	2.50
Leather Zipper Presentation Books, including Selling Circulars, each .....	5.00
Direct-U-Folders, per 1M.....	10.00

[Endorsed]: Filed Sept. 24, 1942.

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## GOVERNMENT'S EXHIBIT No. 76

### Verification of Assistance Given To Franchise Owner

Franchise Owner Arthur K. Barnes

Operating as: 401 Scott Pl.

Address..... City Pasadena

Assistance given on (dates) Oct. 21, 28, 30, Nov.  
4, 6, 8, 12 & 14, 1940

By L. E. Marsh (name) as Division Mgr (title) of  
Direct-U-Systems

☒ 1. Hotel: Helped sign location lease satisfac-  
tory for first campaign:

Name: Hilton Location: Long Beach

☐ 2. Helped secure cooperation or acceptance of  
local Chamber of Commerce.

- ☒ 3. Assisted in securing 2 Salesmen (also Sales Manager?.....), all as selected by Franchise Owner as a satisfactory starting organization.
- ☒ 4. Assisted at meetings in training and informing said sales organization.
- ☐ 5. Helped Franchise Owner find and rent suitable office quarters.
- ☐ 6. Assisted in compiling adequate list of prospects to be mailed special letters furnished by Direct-U-Systems, per agreement.
- ☐ 7. Approved by Mr. Ellison, Mgr., Hilton Hotel.

To—Direct-U-Systems, Los Angeles, California.

Your representative named above has done, or assisted me to do, each of the items checked. Accordingly, I have now received all personal assistance you agreed to furnish me, all supplies for use in my first campaign will be shipped direct, and believe that I will be able to carry out my part of our Lease Agreement without further assistance, except for reasonable help in securing future hotel leases.

Signed:.....

Date: Nov. 14, 1940.

AKB

[Endorsed]: Filed Sep. 24, 1942.

## GOVERNMENT'S EXHIBIT No. 77

## REPURCHASE AGREEMENT

This Agreement, entered into this 31st day of January, 1941, by and between Direct-U-Systems of Los Angeles, California, hereinafter referred to as the party of the first part; and Arthur K. Barnes of Pasadena, California, hereinafter designated as the party of the second part:

Whereas, the parties above entered into an agreement on the 22nd day of October, 1940, whereby the party of the second part did agree to lease and did lease two (2) Electric Directory Systems from the party of the first part, and did pay as advance lease rental the sum of \$1500.00.

The party of the second part has not taken delivery of the systems as provided in the above designated agreement, and the party of the second part does find himself as unable to fulfill his portion of the above designated contract.

The party of the first part desires to have the territory as provided for in the above contract developed whereby it can collect the royalties as provided under the agreement.

Now Therefore, for and in consideration of \$1.00, receipt of which is hereby acknowledged, and the premises and the mutual promises of the parties and the consideration passing and to pass from each other to other, it is agreed as follows:

1. The party of the second part hereby agrees to the complete cancellation of the agreement and does renounce and relinquish any and all interests



or claims in the agreement as entered into by the parties under the date of October 22, 1940.

2. The party of the first part agrees that it shall pay or cause to be paid to the party of the second part, 25% of all the monies it receives from any source either as lease rentals or royalties from the territory designated in the agreement after sales expense and cabinet costs have been deducted, until the parties of the second part have received the total sum of \$1500.00.

3. The added consideration for the agreement and promise of the party of the first part to pay to the party of the second part the monies as outlined in the above paragraph is based on the agreement of party of the second part to assist and cooperate with the party of the first part in developing and/or transferring of any rights in the territory as outlined in the original agreement.

4. Party of the first part hereby agrees to devote its best effort to place the territory covered by the agreement on a paying and profitable basis without unnecessary delay.

5. Party of the second part agrees to return or deliver the sales equipment loaned to party of the second part which is the property of the party of the first part, on demand.

It is mutually understood and agreed that this agreement, executed in duplicate, supersedes any and all previous agreements and contains the full

and complete understanding between the parties hereto.

DIRECT-U-SYSTEMS

By .....

Party of the First Part

.....

Party of the Second Part

Witness:

.....

Witness:

.....

[Endorsed]: Filed Sep. 24, 1942.

—————

DEFENDANT'S EXHIBIT B

Longacre 5-7482

11 West 42nd Street

New York, N Y.

Harold E. Weeks

Franchise Operator

Direct-U-Systems

August 25, 1939

Mr. C. W. Talbott

Direct-U-Systems

301 North Laurel Avenue

Los Angeles, California

Dear Mr. Talbott:

Friday, August 18, Mr. Wallace completed his instruction of six salesmen, Messrs. Farrell, MacNeill, Siering, Steece and Weil.

Monday, August 21, these six salesmen began canvassing for orders and we received one order for the Greeley Theatre, New Dragon, Manager, 857 6th Avenue, corner 30th Street. A copy of the lease and service agreement and two copies of the location chart are submitted herewith.

On Monday, August 21, Mr. C. S. Wallace, obtained a lease agreement from the Park Central Hotel at 55th Street and 7th Avenue for the installation of a Direct-U-Systems cabinet, and I hereby acknowledge receipt of a copy of this lease agreement from Mr. Wallace. As this hotel has 1,600 rooms and is a very much more desirable location for the installation of advertisements, from the advertisers' point of view, I expect to charge \$90.00 a year for an advertisement on this cabinet. My decision to charge this amount was made after conferring with my salesmen and others, and I should like to have your approval in this connection.

On Monday, August 21, Mr. Weil decided that he did not care to continue as a sales representative and I expect to replace him on Monday, August 28, with another salesman.

On Thursday, August 24, two orders were received, the first dated Aug. 23rd., from Willoughby Camera Stores, Inc., T. A. Riggles, Pres., 110 West 32nd Street. A copy of this order, together with two copies of the location chart are sent you herewith. The second order was received from the Chinese Village Restaurant, W. Y. Lee, Manager, 141 West 33rd Street. A copy of this order together with two location charts are sent you herewith.

It was Mr. Wallace's recommendation that we start soliciting advertisements for a cabinet in the Imperial Hotel. There seems to be a great deal of sales resistance against this hotel because it's business has been deteriorating a great deal during recent years, and many people would give us adds for other hotels but not for the Imperial.

GJS

### An International Service

The men worked very hard during one of the hottest weeks New York ever experienced, and we have a good many call-backs in connection with the Imperial and also prospects for boards in other hotels.

I am paying the salesmen a 20% commission, giving them \$9.00 cash on receipt of the first payment and \$3.00 cash immediately on receipt of the next payment.

With kind regards,

Very truly yours,

HAROLD E. WEEKS

HEW:AV

6 Incs. in Duplicate.

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT E

LONGacre 5-7482

11 West 42nd Street  
New York, N. Y.Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

October 10, 1939

Re: Original 8" x 10"  
Advertising CardsDirect-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Gentlemen:

Referring to my letter of October 6, 1939, I am happy to state that the cards mentioned in that letter were received in good order yesterday morning, October 9th.

I am especially pleased to know that you can make such excellent copies, in two colors, from the original cards.

Please advise me how long it takes to obtain such copies, and the cost of making them.

This method of reproduction should be advantageous and economical, in case we later receive orders from an individual client for a number of



cards of the same kind, for installation in various locations.

With best regards,

Sincerely yours,

HAROLD E. WEEKS

HEW:AV

GJS

An International Service

[Endorsed]: Filed Sep. 22, 1942.

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DEFENDANT'S EXHIBIT H

L O n g a c r e 5-7482

11 West 2nd Street  
New York, N. Y.

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

October 5, 1939

Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Re: Leases with Hotels for Direct-U-  
Systems Cabinets.

Gentlemen:

Referring to your letter of September 30, 1939, I have no leases for hotels other than the four mentioned in my letters of August 14 and August 25.

Copies of the leases for the Hotel Imperial, the Hotel Breslin, and the Times Square were sent in the letter of August 14, and a copy of the lease for

the Park Central Hotel was enclosed in the letter of August 25.

I have hesitated in going after the leases in other hotels pending accomplishment of the following:

1. A letter, or other power of attorney, giving evidence that I am empowered to sign for the Direct-U-Systems in connection with such leases. Please send me such a letter or power of attorney.

2. Completion of the installation of one cabinet here in the city which can be shown to the hotel management.

3. Receipt of a card, similar to Mr. Wallace's, which I can use when approaching the hotel management.

Mr. Wallace gave me to understand, over five weeks ago, that he had requested a card, such as I have mentioned in (3) above, for my use. On the attached sheet I have sketched what I would like to have on a calling card, to be used by me when calling on hotel officials, or members of the American Hotel Association, in connection with leases for the installation of Direct-U-Systems cabinets. If this copy meets with your approval, will you please have one hundred (100) cards of the best quality made up for my use, and I will be very glad to reimburse you immediately upon receipt of a bill for the same.

While I have not felt that I had the proper authority, without some written statement from you, to sign leases, I have had some of the hotels "sounded out" in connection with the possibility of placing cabinets in their lobbies. Such contacts

have already been made with the St. Regis, the Savoy-Plaza, the Hotel New Weston, the Governor Clinton, and the Pennsylvania Hotel.

The manager of the Hotel Pennsylvania, Mr. McCabe, stated that he had seen several of the cabinets in operation in the Far West, and that he was in favor of them. However, the Pennsylvania is a Statler hotel and it is the policy of the Statler system to permit no advertising of any kind in their hotels.

### GJS

#### An International Service

Mr. Mulligan, President of the Hotel Biltmore, Mr. Price, Manager of the New Weston, and the Manager of the Hotel Wellington all gave the following reasons for not wanting a Direct-U-Systems in their hotels. They claim that they would not dare to recommend their guests to one store and not to another, as all important stores in their area were big customers of theirs. In spite of every argument we could give them, they said it was "dynamite". I might add that Mr. McCabe of the Pennsylvania, although he liked the System very much and even if they permitted its installation, would be afraid of advertising for the same reason given by the above stated hotels.

The publicity manager at the Savoy-Plaza stated that Mr. Marsh offered their management \$1,000 dollars for permission to install a Robot cabinet in the lobby of the hotel, to which the management agreed and signed a contract with him. Mr. Marsh

was unable to fulfill his contract, due to his inability to obtain advertisers.

This hotel, the Savoy Plaza, would be a most excellent one for us to install a cabinet in, and I would appreciate any assistance which you might give, to enable us to sign a lease at that location. Apparently the \$1,000 dollars' offer, plus the expectancy of a large number of guests attending the World's Fair, caused them to decide to make the contract with Mr. Marsh. At the present time it looks as though the manager is against installing a cabinet at our price.

Mr. Hylan has been in touch with Mr. Fredericks, the publicity man at the Governor Clinton Hotel, and presented our proposition to him. Mr. Fredericks was favorably impressed and promised to submit the proposition to the directors of the hotel. Up to date, no action has been taken by them. In soliciting orders for advertisers in the area around the Hotel Governor Clinton, for the Imperial, we found that a number of people would be glad to sign up for advertising on a cabinet in the Hotel Governor Clinton who would not consider the Hotel Imperial. I would appreciate anything that you could do to get us a lease at the Hotel Governor Clinton.

With best regards,

Sincerely yours,

HAROLD E. WEEKS

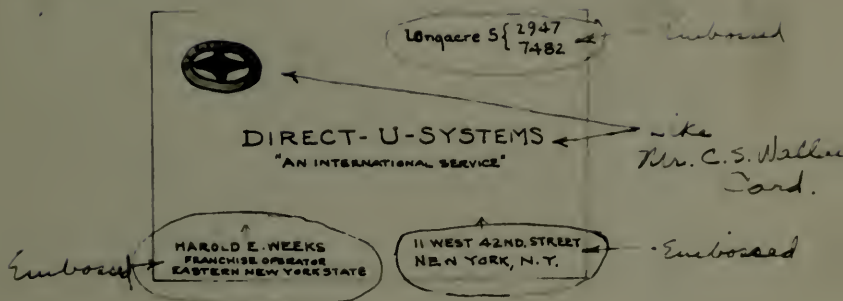
HEW:AV

Enc.

L'ongacre 5-7482

11 West 42nd Street  
New York, N. Y.

HAROLD E. WEEKS  
Franchise Operator  
DIRECT - U - SYSTEMS



[Endorsed]: Filed Sept. 22, 1942.]



An International Service





DEFENDANT'S EXHIBIT I

[Penciled note at top of page]:

Thought you might want to see this eqpnt shipped ten days ago.

Harold Eastman Weeks, P. E.

Coordinating Engineer

11 West 42nd Street, New York, N. Y.

Room No. 2436

Telephone LOngacre 5-7482

August 8, 1939

Mr. C. W. Talbott,  
Direct-U-Systems,  
301 North Laurel Avenue,  
Los Angeles, California.

Dear Mr. Talbott:

Your letter of August 6 reached New York late last night, and was in my hands the first thing this morning. I thank you for your comments relative to the Automatic Map Company.

I shall do nothing further at this time, in the way of investigating the situation with respect to the Automatic Map Company in this vicinity but, nevertheless, will keep my eyes and ears open, and will promptly advise you of any further information or developments concerning that company.

My request for "five hundred sheets of the same bond paper without letterheads" was to provide me with second and additional sheets for any communications requiring two or more pages, as it is not good practice to use the letter-head on sheets following the first, of a communication or report, and it is essential that all of the pages of such communica-

tions be typed or written on the same grade and weight of paper.

Herewith, you will find Prospect List Number Three, containing additional addresses of prospective advertisers, numbered 151 through 260.

The notes given in my letter of August 5th applying to Prospect List Number One will also apply to List Number Three.

Please consider that Prospect List 1, 2, and 3 will probably take care of present requirements, as Mr. Wallace recommended that only two hundred names be sent to you, to enable us to start operations.

I realize that there are other classifications to be covered, and that you may expect other prospect lists from me up to the total of four hundred names covered in our contract, but please do not hold up any equipment for any names beyond those included in Lists Numbers 1, 2 and 3.

With best wishes,

Sincerely yours,

HAROLD E. WEEKS

[Penciled note at foot of page]: You can take care of this.

HEW:AV

Inc.

GJS

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT J

October 11, 1940

Mr. Harold E. Weeks  
160 Fifth Avenue  
New York City, N. Y.

Dear Mr. Weeks:

Please accept my apologies for not answering your letter of September 16th, but I have just returned to the city.

In March of 1938 I purchased the controlling stock of the National Directory Systems from Mr. C. W. Talbott for a substantial cash consideration.

In this purchase I acquired all of the interest or claims that Mr. Talbott had or may have had with the National Directory Systems, and he retired from the corporation.

There were no unusual circumstances connected with Mr. Talbott's sale, except I made an offer which he accepted, and I do not believe that Mr. Talbott has any claims or is a creditor of the National Directory Systems.

The National Directory Systems did not "blow up" as you state in your letter and it was taken over by myself as the principal stockholder and I did liquidate the major portion of its indebtedness.

An arrangement was made by the Automatic Map Company to purchase certain equipment which was to be built by the National Directory Systems, but these arrangements did not work out satisfactorily and this arrangement was cancelled.

It is true that certain of the personnel of the National Directory Systems was employed by the Auto-

matic Map Company, but this was only natural, as this personnel was experienced in this field, and inasmuch as the National Directory Systems had intended to be a servicing and manufacturing company, they had no need of salesmen.

GJS

While it is of no interest to the writer relative to the alleged statements in a report of the Better Business Bureau, that none of the operators for the National Directory Systems made money, we are quite confident that this is erroneous, as many installations were made throughout the country. Our experience has been that where a lessee failed to make money, it was entirely through his lack of ability, experience, or failure to be guided by the suggestions which the company made.

To the best of my knowledge the National Directory Systems never sold any franchises, but they did lease certain equipment to exclusive distributors who were in reality lessors, and their success or failure depended upon their own initiative or ability.

I succeeded Mr. Talbott as President of the National Directory Systems and retained that position until I disposed of my interest.

To the best of my memory, none of the former operators have any interest in any of the equipment which they leased, and anyone who would make purchase of any of this equipment would do so at their own risk, and with the knowledge they were buying equipment which the seller had no legal right to dispose of.



We note your statement that you have found maps used by the Direct-U-Systems, which were used by the National Directory Systems in an installation in the Waldorf Hotel.

The writer knows nothing of this, but it is quite possible that the same map maker furnished the drawings and used the same scale. It would be rather difficult if they used the same area, to produce a different map.

To the best of my knowledge there is no relationship between the Direct-U-Systems and the National Directory Systems, as I am familiar with the stockholders of the National Directory Systems, and I know that none of its stock is held or controlled by others than those well known to me.

I do not know why you should have so many inquiries from people, as to the Attorney handling the creditors of the National Directory Systems, for to my knowledge there were no creditors in the East.

I trust that this is the information you desire.

Very truly yours,

AUTOMATIC MAP COMPANY

By

RWY:M

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT K

Longacre 5-7482

11 West 42nd Street  
New York, N. Y.Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
October 19, 1939Direct-U-Systems      Re: Stationery  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

The blank calling cards with the embossed, colored insignia of the American Hotel Association were received on October 17. I appreciate your kindness in sending them to me and thank you for the same.

Please have two hundred (200) sets of letters and envelopes printed in accordance with the enclosed samples, and send them to me at your earliest convenience.

I enclose my check for \$5.50; to cover the listed price of these at \$2.50 per hundred sets, in accordance with your contract terms, plus 50c to cover postage.

Sincerely yours,  
HAROLD E. WEEKSHEW:AV  
Enc.

GJS

An International Service

[Endorsed]: Filed Sep. 22, 1942.

DEFENDANT'S EXHIBIT L

Longacre 5-7482

11 West 42nd Street  
New York, N. Y.

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems

October 30, 1939

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Re: Cabinet to be exhibited at the National Hotel  
Exposition.

Gentlemen:

Referring to your letter of October 28th, the stationery together with extra letters and envelopes reached me today. Thank you for hustling this shipment along.

The map has not yet arrived. Possibly it was sent, as the previous one was, by regular mail instead of by air mail, in which case it may be two or three days more before it arrives. At any rate, I will give it immediate attention and will wire you if there are any corrections or changes.

As previously indicated in my telegram of October 11, we are preparing the 8x10 cards here.

In connection with the 11½"x7" directory cards, please note additional information sent you herewith, on four (4) cards, B, D, E and G, which it will be advisable to include on these cards, if you have time. Also, a new copy of card R showing a correction concerning the Sunday hours.

There are certain areas and large buildings in New York City which are still supplied by Direct Current. My investigation of the three (3) locations involved with the first cabinet indicates that it will be highly desirable to have a Direct Current motor for this cabinet. If it is impossible to supply such a motor, send the Alternating Current one and I will substitute a Direct Current one for use in this office building.

Again I wish to recommend the desirability of using a so-called universal motor for any cabinets to be used in New York City, due to the prevalence of Alternating Current in some parts of the city, and Direct Current in other parts of the city.

With much appreciation of the splendid attention you are giving this first installation, I remain with best regards,

Sincerely yours,

HAROLD E. WEEKS

HEW:AV

Enc.

GJS

(Cut)

An International Service

(R)

C Museum

A Museum of Modern Art

B Open Weekdays 10-6. Admittance 25 cents

Sundays 19-6; 10 cents

[Penciled note]: In correct.

D Tel. CIrcle 5-8900 E 11 West 53rd Street

(G)

C Public Library

A New York Public Library

B

D Tel. BRyant 9-1500 E 5th Avenue & 42nd St.

77

(B)

C Art Museum

A Metropolitan Museum of Art

B

DTel. RHineland 4-7690

E 5th Avenue & 82nd St.

(E)

C Planetarium

A Hayden Planetarium

B

D Tel. ENdicott 2-8500

E Central Park W. & 81st St.

(D)

C Museum

A American Museum of Natural History

B

D Tel. ENdicott 2-8500

E Central Park W. & 79th St.

[Endorsed]: Filed Sept. 22, 1942.



## DEFENDANT'S EXHIBIT M

Western Union Telegram

The filing time shown in the date line on telegrams and day letters is Standard Time at point of origin. Time of receipt is Standard Time at point of destination.

Received at 5375 Wilshire Blvd., Los Angeles, Calif.

9 Nov 8 PM 2 18

SY147 54 DL 4 Extra Duplicate of Telephoned Telegram.

Direct U Systems—

7225 Beverly Blvd—

Photographs of cabinet received Stop Congratulations and hearty thanks for splendid job well executed Stop Am extremely pleased Stop Kindly wire current of motor sent and when shipment was made Stop Please send four hundred copies four page gray descriptive leaflet by air mail to my office Stop Best regards—

HAROLD E WEEKS

The Company will appreciate suggestions from its patrons concerning its service.

GJS

[Endorsed]: Filed Sep. 22, 1942.

DEFENDANT'S EXHIBIT N

L O n g a c r e 5-2947  
7482

11 West 42nd Street  
New York City

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems

November 9, 1939

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Re: Cabinet to be installed at the Na-  
tional Hotel Exposition.

Gentlemen:

The cabinet reached the Grand Central Palace yesterday, Wednesday afternoon, November 8th.

The express charges amounted to \$42.74 which were paid by the National Hotel Association. I refunded Mr. Walsh, the Exposition Manager, that amount in cash today. Enclosed is the receipt from the Railway Express Agency.

Your letter of November 6th was delayed in reaching me by one day, due to the fact that it was addressed to 11 East 42nd Street, instead of 11 West 42nd Street.

I have not yet opened the crate containing the cabinet inasmuch as the booth is not yet completely decorated, and carpenters and electricians are working in the vicinity. However, it seems to have arrived in good condition. Instead of finding the crate placed in an upright position I found it lying

on its side, and I trust that no damage has been done due to their placing it in that position.

I appreciate the information and instructions concerning the details that you mention in this letter.

I have arranged for an alternating current service, at an additional cost of \$3.00 over the cost of direct current for the cabinet, but will be unable to use this electricity before Saturday afternoon, due to the fact that they can not turn the current on while electricians are working on the circuits.

I very much regret the necessity of cutting down the cards, because I had previously carefully checked with you as to the size and weight, and received the information that the exact size was 8"x10", and that the stock that I had submitted was satisfactory. A number of our cards will have to be done over and some of them appear to have the letters and illustrations somewhat crowded and rather poorly laid out, due to the necessity of narrowing them to 7½ inches.

GJS

I appreciate the fine way in which you have taken care of the lettering and lighting for the installation at the Grand Central Palace and the subsequent installation at the Park Central Hotel.

Your suggestion concerning the sending of letters to prospective advertisers has been taken care of by one or another of the form letters, copies of which I sent you on November 7th.

My attention has been called to the fact that the 11½"x7" directory card for the toy store, F. A. O.

Schwarz, was incorrectly printed. I would appreciate it if you would have another card made up with this concern's name printed Schwarz instead of Swartz, as it now appears in the cabinet. Please send the corrected card to me as soon as possible by air mail.

I expect that the booth will be in such shape tomorrow, that it will be expedient to uncrate the cabinet. I am sure that we will be more than pleased when we have it set up and can have it tried out.

I heartily thank you for your wonderful cooperation, in doing such a fine job in so short a time.

With best regards,

Sincerely yours,

HAROLD E. WEEKS

HEW:AV

Enc.

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT O

Longacre 5—2947-7482

11 West 42nd Street

New York City

40-008

Harold E. Weeks

Franchise Operator

Direct - U - Systems

“An International Service”

February 29, 1940

Direct-U-Systems

7225 Beverly Boulevard

Los Angeles, California

Gentlemen:

Yesterday afternoon, February 28, I received your air mail letter, dated February 26, referring to the freight shipments of the cabinet for the Imperial Hotel with the bill of lading covering this shipment, and the shipment of the new rotating machine for this cabinet by prepaid express.

The rotating machine arrived about noon today, and I waited for Mr. Musorofiti to come over from Brooklyn to uncrate it. The new rotating machine appears to be a very business like and well built device, and I congratulate you for finally sending me such an excellent appearing mechanism.

I shall be interested to see how it operates with 60 cards, and shall have to make them up, in order to try it out.

I also acknowledge receipt of a copy of the letter to Mr. Musorofiti, and he showed me your letter to him this afternoon.



Mr. Muscrofiti installed the revised rotator in the Park Central Hotel, and it ran successfully for a number of days. There were, however, 3 interruptions, and Monday morning, February 26, upon investigating a report from the hotel that the machine had jammed, he found 7 newly made cards badly torn and useless, due to the fact that the adhesive tape which you had put on the large wooden roller had melted, and otherwise ripped off, coating the cards and rollers with zinc oxide, or whatever the adhesive was, and placing the machine temporarily out of commission.

He brought the machine back to this office and has apparently rectified the trouble by the use of other material, and has been testing the machine carefully here prior to re-installing it at the hotel.

I am in hopes that he will re-install the rotator in the Park Central cabinet tomorrow, March 1.

I also wish to acknowledge one photograph of each of the letters of appreciation from the Empire State, Ind., the Metropolitan Museum of Art, the Frick Gallery, and the Little Church Around The Corner.

I understand that your Mr. Thomas E. Morgan is now in Philadelphia, and I am interested to know whether he has replaced Mr. Wallace, or whether Mr. Wallace who has recently been in several cities in Florida is still with you.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT P

Longacre 5—2947-7482

11 West 42nd Street  
New York City

Harold E. Weeks

Franchise Operator

Direct - U - Systems

“An International Service”

November 16, 1939

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, CaliforniaRe: Descriptive leaflets,  
Direct-U-Systems.

Gentlemen:

Yesterday afternoon, I received two packages containing probably about 500 copies of the four page, descriptive pamphlet about the Direct-U-Systems.

I note that you had my name and address printed on these and I very much appreciate this, and I thank you for sending them to me. They will be very useful.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

GJS

[Endorsed]: Filed Sep. 22, 1942.

DEFENDANT'S EXHIBIT Q

Longacre 5—2947-7482

11 West 42nd Street  
New York City

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
“An International Service”

November 16, 1939

Direct-U-Systems      Re: Pictures of the Park  
7225 Beverly Boulevard      Central Hotel cabinet.  
Los Angeles ,California

Gentlemen:

Yesterday morning I received 159 copies of the picture of the Park Central Hotel electric directory.

These will be very useful, and I very much appreciate your preparing them, and I thank you for sending them to me.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

GJS

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT R

Longacre 5—2947-7482

11 West 42nd Street  
New York City

Harold E. Weeks

Franchise Operator

Direct - U - Systems

“An International Service”

December 15, 1939

Re: Summary of all orders received.

Direct-U-Systems

7225 Beverly Boulevard

Los Angeles, California

Gentlemen:

Enclosed herewith, you will find a two-page summary of all of the orders for advertisements to be included in the cabinets for the Hotel Imperial and the Park Central, from August 21 through December 15, 1939, inclusive.

This tabulation shows the date of receipt of contract, the name and address of the advertiser, the method of payment, name of salesman, commissions paid to him, and the amount received on each contract.

You will note that all of the commissions have been paid in full, with the exception of the money due Mr. Hopkins, which he requested be held up until the first installment was paid to me, and the payment due to the Loewy Agency, in connection with the Merians contract, also \$3.00 due Mr. Corwin following receipt of payment.

You will note that my payments to the salesmen far exceed any money received by me on account. You will also note the extended terms for payment, necessary to close the contracts, and also the fact that most of these payments begin on installation.

It has been very difficult to sell advertising on a cabinet which could not be actually seen, and I strongly recommend that, in the future, any new franchise operator be immediately supplied with a cabinet, following the payment of his franchise fee to your company.

I shall begin sending you the 20% due you on all contracts, as soon as I am satisfied that the cabinet is properly installed and operating satisfactorily, and as payments are made by the advertisers.

With best regards,

Sincerely yours,

HAROLD E. WEEKS.

HEW:AV

GJS

Enc.





## SUMMARY OF ORDERS

August 21—October 31, 1939, inclusive

Date of Contract	Hotel	Name of Advertiser	Address	Method of Payment	Sold by	Comm. Paid	Amount Received
Aug. 21	I	Greeley Theatre	6th Av. & 30th St.	\$10.00 Sept. 15; \$5.00 p.m. 10 mos.	Hylan	\$12.00	\$10.00 9/15
Aug. 23	I	Willoughby Camera Stores, Inc.	110 W. 32nd St.	\$10.00 Aug. 24; \$50.00 on installation	Hylan	\$12.00	\$10.00 8/24
Aug. 24	I	Chinese Village	141 W. 33rd St.	\$10.00 Aug. 24; \$5.00 p.m. 10 mos.	Hylan	\$12.00	\$10.00 8/24
Sept. 6	PC	Robert Thorne, Inc.	51 W. 57th St.	\$15.00 Sept. 6; \$7.50 p.m. 10 mos.	Hylan	\$18.00	\$15.00 9/6
Sept. 8	PC	Jean E. Marshall	Hotel New Weston Mad. Av. & 50th St.	\$15.00 Sept. 23; \$15.00 p.m. 5 mos.	Hylan	\$18.00	\$15.00 9/23
Sept. 8	I	Penn. Wine & Liquor Shop	201 W. 33rd St.	\$60.00 on installation	Farrell	\$12.00	
Sept. 9	PC	The Camera Place	812 7th Ave.	\$15.00 on instal. \$7.50 p.m. 10 mos.	Steece	\$18.00	
Sept. 15	PC	Carnegie Hall Auto Rental	155 W. 56th St.	\$15.00 on instal. \$15.00 p.m. 5 mos.	Hopkins		
Sept. 21	I	Schoepfer's Taxidermy Studio	1200 Broadway	\$10.00 on instal. \$10.00 p.m. 5 mos.	Rattray	\$12.00	
Sept. 29	PC	Merian's—Shoes	222 E. 57th St.	\$15.00 on instal. \$10.00 p.m. 7½ mos.	Ostro*	\$9. (in full)	
Sept. 29	I	Broadway Beauty Salon	102 W. 37th St.	\$10.00 Oct 30; \$10.00 p.m. 5 mos.	Ostro	\$12.00	\$10.00 10/30
Oct. 5	PC	Federated Detective Bureau	1451 Broadway	\$7.50 on instal. \$7.50 p.m. 11 mos.	Ostro	\$18.00	
Oct. 6	I	Charles C. Alehoff, D. D. S.	202 W. 34th St.	\$10.00 on instal. \$5.00 p.m. 10 mos.	Hylan	\$12.00	
Oct. 10	I	Larry L. Kronrot—Furrier	307 7th Av.	\$10.00 Oct. 10; \$5.00 p.m. 10 mos.	Hylan	\$12.00	\$10.00 10/10
Oct. 10	I	Benjamin Miller—Optometrist	134 W. 32nd St.	\$10.00 on instal. \$10.00 p.m. 5 mos.	Hylan	\$12.00	
Oct. 19	PC	Solmor Jewelry Co.	901 7th Av.	\$7.50 on instal. \$7.50 p.m. 11 mos.	Corwin	\$15.00	
Oct. 27	PC	Thomas J. Short—Chiropractor	55 W. 42nd St.	\$15.00 on instal. \$7.50 p.m. 10 mos.	Wilson	\$18.00	
Oct. 30	PC	Sonotone Corp.—Hearing Aids	19 W. 44th St.	\$90.00 on installation	Hylan	\$18.00	

\* \$13.50 Commission due Loewy Agency on receipt of first payment.

## SUMMARY OF ORDERS

November 1—December 15, 1939, inclusive

Date of Contract	Hotel	Name of Advertiser	Address	Method of Payment	Sold by	Comm. Paid	Amount Received
Nov. 1	I	Harry A. Burgio, Pod. G.	110 W. 34th St.	\$10.00 Dec. 1; \$5.00 p.m. 10 mos.	Wilson	\$12.00	
Nov. 7	PC	B'way Table Tennis Courts	1721 Broadway	\$15.00 Dec. 1; \$7.50 p.m. 10 mos.	Wilson	\$18.00	
Nov. 7	PC	LeRoy R. Stoddard, M. D.	33 W. 42nd St.	\$15.00 on instal. \$15.00 p.m. 5 mos.	Wilson	\$18.00	
Nov. 23	PC	Miss Julie's Dance Studios	136 W. 42nd St.	\$7.50 Nov. 28; \$7.50 p.m. 11 mos.	Wilson	\$18.00	\$7.50 12/3
Dec. 6	PC	Madam Zenda (Zenda Sterling)	154 W. 57th St.	\$15.00 Dec. 6; \$15.00 p.m. 5 mos.	Dwyer	\$18.00	\$15.00 12/7
Dec. 15	PC	Jay Lord Hatters	108 W. 38th St.	\$15.00 with copy; \$15.00 p.m. 5 mos.	Wilson	\$18.00	

[Endorsed]: Filed Sep. 22, 1942.



DEFENDANT'S EXHIBIT S

Longacre 5—2947-7482

11 West 42nd Street  
New York City

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
“An International Service”

December 15, 1939

Re: Cabinet for the Hotel Imperial.

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

Please proceed with the manufacture of a mahogany cabinet for the Hotel Imperial.

As the mahogany in the lobby is very old, it has a dark brown finish similar to the sample color enclosed herewith.

This cabinet should be supplied with racks for sixty advertisers and twenty points of interest.

The map used may be the same as that supplied on the Park Central cabinet.

The points of interest may be the same as those shown on the Park Central cabinet.

To date, we have received only ten contracts for this cabinet, but the advertisers are already beginning to complain, because the cabinet is not installed. It will be necessary for me to have this cabinet installed within three or four weeks, or cancellations will be requested.

I am hoping to obtain additional advertisements for this cabinet by going after orders from large stores on a coverage basis, obtaining orders for six or more hotels at one time.

We expect to sign a contract with the Governor Clinton Hotel next Monday, December 18, and with the Piccadilly Hotel during that week.

Please insure that the aperture for the 8x10 cards on this cabinet be large enough so that all of the 8 x 10 cards can be seen.

I have decided that the white celluloid cards will be satisfactory, provided we can eliminate glare and obtain suitable lighting on the cabinet.

Please proceed at once with the manufacture of this cabinet.

With best regards,

Sincerely yours,

HAROLD E. WEEKS.

HEW:AV

Enc.

[Endorsed]: Filed Sep. 22, 1942.



DEFENDANT'S EXHIBIT T

Longacre 5—2947-7482

11 West 42nd Street  
New York City

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
“An International Service”

December 22, 1939

Re: Lease agreement with the  
Governor Clinton Hotel.

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

Enclosed you will find one (1) copy of the lease agreement between Direct-U-Systems and the Governor Clinton Hotel, covering the installation of a dark walnut cabinet for one year from the date of installation.

Due to the fact that the management at the Governor Clinton had previously signed contracts on two occasions with franchise operators for the installation of somewhat similar electrical directories, and these contracts had both been broken by the franchise operators, it was very difficult to get the management to sign up for a Direct-U-Systems cabinet.

Negotiations concerning this matter have been going on for three months and necessitated about eight calls, and a number of letters, before we were able to obtain acceptance.

Mr. Glenn agrees to sign further lease agreements, if the cabinet and its operation and maintenance prove satisfactory during the term of this agreement.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

Enc.

GJS

[Endorsed]: Filed Sep. 22, 1942.

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DEFENDANT'S EXHIBIT U

Chelsea 2—7160-7161

160 Fifth Avenue  
New York City  
40-022

Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
“An International Service”

May 6, 1940

Re: Directory Cards for Cabinets in the Hotel  
Times Square, Hotel Breslin, and Hotel  
Governor Clinton.

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

Referring to the orders sent you last week for the new Direct-U-Systems cabinets to be installed in

the Hotel Times Square, Hotel Governor Clinton and Hotel Breslin, I send you herewith two copies of your usual form for indicating the directory listings.

In order to conserve printing time and expense you may make up four copies of each of these listings using one set for each cabinet with the exception of listings No. 38 and 39 which are not included in all the cabinets (See lists sent you with the orders).

I would appreciate it if you would send me the fourth set, in order that I may have one to work on in case of a change of location or telephone number, or the addition of copy in "B".

For instance, Tiffany & Co. will probably move to its new building at the corner of Fifth Avenue and 57th Street, and will have a new telephone number, sometime within the next three months.

I trust that this procedure will save you time and expense in connection with the printing of these cards which should be on the same white celluloid material that was used in the Park Central and Imperial installations.

Referring to your letter of May 4, 1940, your suggestion concerning the use of a neon tube is unnecessary and would be too expensive.

We are having very fine results in using four 15 watt, Edison base, 120 volt, Mazda lamps mounted in porcelain bases backed by heavy galvanized iron reflectors which have been coated with aluminum paint, mounted in the rear of each 30 card rack, and similar units containing two 15 watt lamps mounted

in the rear of each 10 card "Point of Interests" rack.

By using the brass frames mentioned in my previous letter, a maximum amount of light is available for use through the celluloid directory cards, and the whole effect is excellent.

I will send you photographs and dimensions of these reflectors and lighting units as soon as we have completed the new ones for the Hotel Imperial cabinet.

GJS

Concerning the use of an electric time switch, I would report that such switches are too expensive for use on most of the cabinets which come under my jurisdiction because these cabinets have to utilize Direct Current.

I have been tipping the chief bell hops at both hotels fairly liberally from time to time, and they see that the electricity supplied each cabinet is turned on at 8 o'clock in the morning and off at midnight.

In addition to having the switches operated at the hours mentioned, the operation of the board is watched at these times and also at other intervals during each day.

If time switches were used, it would be necessary to get switches which operated over a period of 8 days or more; otherwise, they would have to be wound or set daily, and I find that the inspection interest and the cooperation of the bell boys is, in my opinion, very much more to be desired than the installation of the time switches.

Of course, I realize that your object in installing

the time switch is to insure that the motor operating the card changing device is not left on continuously.

However, I firmly believe that these bell boys are very loyal and honest in their attempt to carry out a verbal agreement with me, and that they are satisfied with the tips that they are receiving.

As you have completely designed the most recent rotating machine, it is my opinion that you should know the length of the chain belt required. Inasmuch as we are occasionally removing links, Mr. Musorofiti and I hesitate to advise what length of chain you should send, at this time, so I recommend that you send us 5 or 6 feet of your hardened chain and we will take care of the requirements on this end.

With best regards,

Sincerely yours,

HAROLD E. WEEKS.

HEW:AV

Encs.

[Endorsed]: Filed Sep. 22, 1942.



## DEFENDANT'S EXHIBIT V

Chelsea 2-7160

160 Fifth Ave.  
New York City  
40-017Harold E. Weeks  
Franchise Operator  
Direct - U - Systems  
"An International Service"

April 10, 1940

Direct-U-Systems  
7225 Beverly Boulevard  
Los Angeles, California

Gentlemen:

Having known Mr. Musorofiti for about 11 years, and having great respect for his ability and his workmanship in connection with electrical, physical, astronomical and other lines of endeavor, I have arranged for him to become an important part of my organization, in connection with my shop and laboratory for research and engineering development, and he became one of my staff on April 1st.

I know that he spent over double the amount of time he charged you for, during February, and I regret that his items were not more fully detailed to indicate just what he did. I am suggesting that in the future he give you a more complete account of just what he does.

In view of the fact that Mr. Musorofiti is now with me, you may see fit to engage someone else to service your cabinets. If so, I will endeavor to supply you

with the names of suitable persons to do this for you.

I have no interest or part in any remuneration you have paid or will pay Mr. Musorofiti. He has given you unselfish and devoted service and will continue to do so, if you see fit to keep him as your service man in Greater New York.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

GJS

[Endorsed]: Filed Sep. 22, 1942.

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DEFENDANT'S EXHIBIT W

Direct - U - Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

July 3, 1940

Mr. Harold E. Weeks

160 Fifth Avenue

New York City, N. Y.

Dear Mr. Weeks:

We wish to acknowledge receipt of your favor of the 24th and we are quite surprised that you are having any difficulty with the rotating machine, as we have them under operation for weeks here, and they do not fail at any time. If they should fail, there is no damage to the cards because the clutch overcomes that, and if you are having any difficulty at the Imperial with the cards tearing, it is

due to the fact that someone has readjusted the clutch on it, causing it to tear instead of just jam.

The only other reason that might possibly cause difficulty there would be the use of too heavy a card. We advocate the use of 180 M weight Bristol stock. We use a non-smearing lettering on it, so that it will not soil.

We have found that the major portion of the soiling of the cards is due to the fact that the paint comes off and gets on the rollers, and in this way it is carried on to the next card.

We wish also to acknowledge receipt of maps for the Breslin and the Times Square, as well as the quotation for furnishing of brass frames for the directory cards.

We would not be interested in going into such an additional expenditure as \$100 for three brass metal frames, as we feel that is out of line, and we are preparing the Times Square on a basis that we are confident that you will be more than pleased with.

We are very happy to advise you that we have received the Governor Clinton cabinet from the cabinet shop at last, and it is being wired now and we have every hopes to get it on its way to you very shortly.

Very truly yours,

DIRECT-U-SYSTEMS

By C. W. TALBOTT

Received Jul - 6 1940. Ans'd T/F

An International Service

[Endorsed]: Filed Sep. 22, 1942.

DEFENDANT'S EXHIBIT X

Direct - U - Systems

General Offices

Direct-U Building - 7225 Beverly Blvd.

Los Angeles, California

July 24, 1940

Mr. Harold E. Weeks

160 Fifth Avenue

New York City, N. Y.

Dear Mr. Weeks:

We have an applicant or two who are interested in some territory which has been included in the area assigned to you, and we would appreciate it if you would advise us if you would be interested in releasing the territory outside of New York City proper to us.

We would expect in return to compensate you for the release, and we would suggest that we would pay you a portion of the royalty that we would receive from any installation up state. We feel that this would be quite advantageous as we are confident that you would have more territory and more opportunity to develop in the city of the New York than you will ever take advantage of.

We would appreciate hearing from you at your earliest possible convenience on this.

With the kindest regards we are,

Very truly yours,

DIRECT-U-SYSTEMS

By C. W. TALBOTT

T/F

Received Jul 29 1940.

Ans'd.....

An Internatiional Service

[Endorsed]: Filed Sep. 22, 1942.

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DEFENDANT'S EXHIBIT Y

Longacre 5-2947

7482

11 West 42nd Street

New York City

Harold E. Weeks

Franchise Operator

Direct - U - Systems

An International Service

December 26, 1939

Direct-U-Systems

7225 Beverly Boulevard

Los Angeles, California

Re: Publicity obtained through exhibiting cabinet  
at the National Hotel Exposition.

Gentlemen:

About a month ago, I mailed you a clipping from the New York World Telegram concerning the cabinet which I exhibited at the National Hotel Exposition.



Herewith, I send you a clipping from the Flint (Michigan) Journal, dated Thursday, November 16, 1939, entitled "Machine Makes Problem of Getting Around in Strange City Easy One".

Herewith, I also send you a clipping from the Pontiac (Michigan) Daily Press of Thursday, November 16, 1939, entitled "Getting Around in Gotham Just a Matter of Buttons".

Mr. James F. Walsh, General Manager of the National Hotel Exposition, tells me that the Exposition received over 11,000 lines of publicity. He has a large volume of clippings concerning the Exposition, and I expect to send someone from my staff to Mr. Walsh's office to look over the clippings, and after this has been done, I will obtain additional clippings and send them to you.

Very truly yours,

HAROLD E. WEEKS

HEW:AV

Enc.

[Endorsed]: Filed Sep. 22, 1942.

## DEFENDANT'S EXHIBIT Z

LONGacre 5-7482

11 West 42nd Street  
New York, N. Y.Harold E. Weeks  
Franchise Operator  
Direct - U - System

September 26, 1939

Mr. C. W. Talbott  
Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Dear Mr. Talbott:

I wish to thank you for your letter of the 20th instant, in which you welcome me into your organization, and for your kind offer of any assistance which I might ask for.

I have accepted the position of sales manager with Mr. Weeks believing that my previous experience in advertising of a kindred nature, plus a very long and wide business experience in New York City and a thorough acquaintance with this city's hotels, qualifies me for the job.

In a spirit of trying to be helpful to all concerned, I wish to set forth a few of my findings both from the work of our salesmen and my own experience in the field.

We have been campaigning for a month with nine salesmen including myself, seven of these salesmen having been chosen by your Mr. Wallace. I would say that we are all good average salesmen. To date we have signed nine contracts, five for the

Imperial Hotel, and four for the Park Central. Personally, I have probably put in about one quarter of my time in the field and have sold five of the nine. These contracts have been secured from out of approximately 400 interviews. The percentage, therefore, is entirely too small for anyone to make money.

I wish to state my belief for the reason of this small volume of sales. Perhaps you know the New York market. However, as I know it and find it, I will say there are only about 15 hotels here for which from 40 to 50 contracts can be secured. The following are the hotels:

First class: Sherry Netherland, Savoy Plaza, Plaza, St. Regis, Waldorf, Ambassador.

Second class: Astor, New Yorker, Pennsylvania, McAlpin, Commodore, Biltmore.

Third class: St. Moritz, Taft, Park Central.

These hotels are in areas that attract the transient shopping. There are a number of large hotels, such as the Times Square, which we have under contract, the Dixie, the Edison, etc., in the Broadway area. The Broadway area today has practically no permanent, first class merchants. It has evolved into a "Coney Island". Even the better class of amusement enterprises can not make any money in this district. Hotels like the Imperial and Breslin, with the exception of 34th Street, are in a decadent district, and the Imperial and the Breslin are considered not any better than fifth class hotels.

The merchant in New York who will spend money for our type of service is not interested in hotels below a third class rating.

A very large percentage of the turn-downs we have had will reconsider when they can see a cabinet in operation. The same thing applies to some of the hotels we have tried to sign up.

In my opinion, our hope of success in this city depends on immediately installing and operating a cabinet.

I am personally very enthusiastic about Direct-U-Systems service, and nearly all prospects find it unique and interesting, but business is none too good in New York today, and people want to see in operation what they are asked to sign up for, for one year.

These suggestions are in no manner a criticism, but a desire to be constructive.

Very truly yours,

JAMES N. HYLAN

Sales Manager

JNH:AV

[Endorsed]: Filed Sep. 22, 1942.

DEFENDANT'S EXHIBIT AA

LONGacre 5-7482

11 West 42nd Street  
New York, N. Y.

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

September 18, 1939

Re-Lease and Service Agreements

Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Gentlemen:

Following your approval of a \$90.00 an advertiser charge on the Park Central cabinet, I had two new Lease and Service Agreement forms drawn up, two copies of each of which I send you herewith.

I did not have different colors of paper used on account of an increased cost of fifty percent over all white sheets.

In this connection may I ask what distribution you desire of the four different colored sheets of the sixty dollar Lease and Service Agreement forms? Mr. Wallace did not advise my salesmen, or me, regarding where the various colors went.

At present, I am keeping the original, giving the first carbon copy to the advertiser and am sending you a second and a third carbon copy.

As these are not at all clear in some instances, I am planning to send you two typed copies of the



originals; as you particularly need legible copies for making up the narrow classification cards.

I regret that I did not receive proof on the \$60.00 an advertiser, Lease and Agreement forms, for I should have changed the words "make all checks payable to the Company" to read "make all checks payable to Harold E. Weeks." In spite of instructions to the salesman to instruct the advertiser to make checks payable to me, today, I had to return a check, and ask for another, because it read, "Direct-U-Systems".

I can take care of this by having made up a rubber block out stamp and a rubber stamp showing my name.

Sincerely yours,

HAROLD E. WEEKS.

HEW:AV

(Cut) Allied Member AHA

An International Service

[Endorsed]: Filed Sep. 22, 1942

DEFENDANT'S EXHIBIT BB

11 West 42nd Street  
New York, N. Y.

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

September 18, 1939

Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Gentlemen:

This morning I received the mimeographed sheets of the "survey of the spending of guests in hotels", with the following various classifications:

300 rooms—34  
500 rooms—45  
600 rooms—52  
1600 rooms—43

These tabulations will be of great assistance to my salesmen in their endeavors to secure advertisers for Direct-U-Systems.

I thank you very much for these survey sheets.

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

(Cut) Allied Member AHA

An International Service

[Endorsed]: Filed Sep. 22, 1942

## DEFENDANT'S EXHIBIT CC

11 West 42nd Street  
New York, N. Y.

Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

August 14, 1939

Mr. C. W. Talbott  
Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Dear Mr. Talbott:

The express shipment from Los Angeles reached here safely this afternoon, and I acknowledge receipt of the following items:

1. Six demonstration cabinets.
2. Six illustrated presentation books.
3. Six selling suggestions circulars. (I reserve the right to ask for six more, if necessary, on this, in the future).
4. Four hundred sheets advertisers' service agreements.
5. Forty sheets hotel lease forms.
6. Hotel room reminder cards. (Some received; more to be requisitioned from you, as needed).
7. Four hundred advertisers' map location cards.
8. Four hundred envelopes, "Direct-U-Systems, 11 West 42nd St., New York City."
9. Four hundred letterheads with my name.
10. Seventy-five multi-graphed letters, addressed,

with names of advertising prospects filled in, together with addressed and stamped envelopes.

11. Five hundred blank sheets of bond paper matching paper mentioned in Item 9.

I am expecting additional shipments from you of the balance of the multigraphed letters to prospects, with the names and addresses filled in, together with stamped and addressed envelopes to accompany the same. Thank you for your prompt cooperation in preparing and shipping the above mentioned items.

With best regards

Sincerely yours,

HAROLD E. WEEKS.

HEW:AV

(Cut) Allied Member AHA

An International Service

[Endorsed]: Filed Sep. 22, 1942

## DEFENDANT'S EXHIBIT DD

L Ongaacre 5-7482

11 West 42nd Street  
New York, N. Y.Harold E. Weeks  
Franchise Operator  
Direct-U-Systems

August 15, 1939

Mr. C. W. Talbott  
Direct-U-Systems  
301 North Laurel Avenue  
Los Angeles, California

Dear Mr. Talbott:

On Sunday, August 13th, I inserted an advertisement in the New York Times, which advertisement is shown in the attached sheet.

As a result of this advertisement, more than seventy applicants appeared at this office yesterday and today. We certainly had our hands full interviewing them.

Due to the present state of business in this city, many excellent men are still out of work, and Mr. Wallace and I were able to select some outstanding salesmen.

Last week, I rented additional space and fitted it up for Mr. Wallace to use in interviewing and training the salesmen, and I will probably continue to rent this space, so that the salesmen will have a place to meet, write and complete their records.



This morning, Mr. Wallace began training the following men:

Mr. Samuel Brady Steece

Mr. Warren W. McNeill (who happens to be an old friend of Mr. Wallace)

Mr. J. N. Hylan.

Tomorrow morning, we expect to add three more salesmen to our force.

Direct-U-Systems seems to have great appeal to the best type of salesmen, including many former executives and managers. It looks as though we would not have the slightest difficulty in getting all of the excellent salesmen we may require.

These men will probably start out after advertisements next week.

With best regards

Very truly yours,

HAROLD E. WEEKS.

HEW:AV

(Cut) Allied Member AHA

An International Service

[Endorsed]: Filed Sep. 22, 1942

## DEFENDANT'S EXHIBIT HH

2607 Mira Vista Dr.  
Richmond, Calif.  
June 16, 1941

Mr. C. W. Talbott, Pres.  
Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, Calif.

Dear Mr. Talbott:

I have noted very carefully all that you have had to say in your letter of June 10th, and agree with you most heartily. No business can afford to allow such a territory as this to lie idle and unproductive. I, also, regret very much that the operation of this territory did not work out as I anticipated.

If the conditions are as you depict them, it should be an ideal time for you to resell this territory and by dividing it into several separate territories and allotting from one to three units to each as you have suggested it should be profitable to you.

I am ready at any time to enter into a repurchase agreement with you on a cash basis, and if you see fit to do that promptly, then the problem of the Sir Francis Drake board becomes no problem at all.

Yours very truly,  
RALPH W. BERGEN  
GJS

[Endorsed]: Filed 9/23/42.

DEFENDANT'S EXHIBIT PP

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 24, 1941

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

Wright's Billiard Salon is a very large and fine recreation centre with twenty-eight beautiful tables. It is very conveniently located with reference to the hotels, Mr. Schubert is the local manager.

He has been contacted and thoroughly sold on the benefits of Direct-U-Systems to his business, but states that Mr. F. P. Simpson, 514 Palisades Avenue, Santa Monica is the boss and he, (Schubert) cannot spend money for such things without Mr. Simpson's O.K. Simpson seldom gets up here, and Schubert suggests someone down there contact him and sell him on the value of our proposition. Can you have some one follow this prospect for me promptly.

I am badly in need of an additional supply of prospect letters as per attached copy and of the small photographs to be pasted upon them. Will

you please have 100 to 150 copies made up for me as promptly as possible.

Yours very truly,

R. H. BERGEN

RHB/s

Enc.

P. S. Do you have standardized bill forms for notification of the Customer when a payment is due on a contract?

Was there any approval ever secured from the business firms whose names were placed on the Sir Francis Drake Hotel board, or were they ever notified that their names were so placed?

Will you please give me the exact date of installation of the Sir Francis Drake Board, and the date from which the rental begins.

R. H. B.

GJS

(Cut) Allied Member AHA

Our Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message

[Endorsed]: Filed 9/23/42.

DEFENDANT'S EXHIBIT No. QQ

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 17, 1941

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

I wish to acknowledge receipt of cards for "Town and Country" men's furnishers and Bloch's Beauty Salon. I have now received three different sets of 8 by 10 cards and in each instance they have been slightly damaged in the mail, corners bent or edges crimped, not beyond use but enough to mar the nice appearance and to possibly cause trouble on the machine. I would like to suggest some alteration in the wrapping to avoid this.

Also their card Town & Country is not made up precisely as wanted. However, as you say, there is too much wording in their copy. We will get new copy from them and then tell you more precisely how to make it up. The word "distinctive" is spelled "distintiva" on the card you sent. We will use it temporarily.

Now that we are beginning to place paid names on this board, I believe we should have the cards



placed in the hotel rooms. Will you please send cards for the Sir Francis Drake Hotel which has 600 rooms.

If a customer desires more than one change of copy per month on the display, is it best to have additional cards made up by your shop and if so, what is the charge? Or is it safe to permit them to have it made up themselves? What thickness and exact dimensions of card should be specified for them?

Very truly yours,  
R. H. BERGEN

RHB/s

GJS

(Cut) Allied Member AHA

Our Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message

[Endorsed]: Filed 9/23/42.

DEFENDANT'S EXHIBIT RR

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 17, 1941

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

We have asked you to assist us by calling upon T.W.A., Earl C. Anthony, Inc., and Hertz Drive Ur Self. Having heard nothing as yet, we wonder if it is not time to follow them up again.

I have two more such requests. We are advised by the Florsheim Shoe Company that all matters of sales promotion and advertising are handled by a Mr. Goodrich, advertising director, Florsheim Shoe Company, 541 West Adams Street, Chicago and that all policies are formed by him for their company as a whole. We have been requested by the local man to write directly to Mr. Goodrich. We believe that can better be handled by your office than by mine because of the national character.

I am enclosing a card of Godissart's. When we solicited these people, they recommended that a call be made upon their Los Angeles main office, Mr.

Berger being the party to see. Will you kindly make such a call and report to us.

Yours very truly,

R. H. BERGEN

RHB/s

GJS

(Cut) Allied Member AHA

Our Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message

[Endorsed]: Filed 9/23/42.

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DEFENDANT'S EXHIBIT SS

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

January 16, 1941

Mr. C. W. Talbott  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott:

We have had some correspondence with reference to additional letters for the Sir Francis Drake Hotel bulletin board. In my last letter to you on this matter I told you that they would like about three each of additional vowels of the one inch size.

Mr. Malone this morning had occasion to be talking with Mr. Harrington of the Hotel personnel, and Mr. Harrington stated that they needed a whole new set of the one and one-quarter inch size and that Mr. Marshall had promised this to them.

In regard to this discrepancy in size, Mr. Malone has checked up this afternoon to be sure, and advises that the size they actually want is 1 $\frac{1}{4}$ ".

Will you please take care of this matter direct with the Hotel and see that they get what they wish in the way of letters.

My salesmen are asking me to send out "Follow-Up" letters to some of their prospects, believing that it would help them to close. If I send you a copy of what I wish can you make up mimeograph sets for me? Do you have any of my letterhead paper down there.

Yours very truly,

R. H. BERGEN

RHB/s

GJS

(Cut) Allied Member AHA

Our Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message

[Endorsed]: Filed 9/23/42.

## DEFENDANT'S EXHIBIT TT

R. H. Bergen  
Manager

YUkon 0820

Direct-U-Systems of Northern California  
Franchise Owner  
Direct-U-Systems  
105 Montgomery St.  
San Francisco, California

Dec. 30, 1940.

Mr. C. W. Talbott, Pres.,  
Direct-U-Systems,  
7225 Beverly Blvd.,  
Los Angeles, Calif.

Dear Mr. Talbott:

The additional supply of business cards and the 8x10 cards for the animator of the Sir Francis Drake Board have been received, for which I thank you. I installed the 8x10 cards this morning and they certainly make a great improvement in the appearance of the board.

When there this morning, I noted that the supply of small bulls-eye mazda lamps for the map is getting very low. I think there are only three left. Will you please send a new supply. Incidentally, will it be my responsibility to see to it that the hotel electricians are supplied with such materials, or will they correspond directly with you to obtain them? I would appreciate knowing the nature of the arrangement with the hotel electricians. Such information tends to make up a complete knowledge of the work on my part.



The hotel man responsible for changing the lettering on the lower portion of the machine, for use by the hotel, called my attention to the fact that the lock on that door has gone out of kilter. The key turns over and over without throwing the tumblers. It is impossible now to unlock the door. What do you suggest? Shall I call in a locksmith to make a new key, or would it be better to send a new lock, then have the electrician drive the pins out of the hinges and install it.

I was also told that the hotel would appreciate it if they had a few more letters. They need a few more vowels, about three each, in both sizes in order to be able to make up their signs as they wish to.

I thank you for the thoughts which prompted you to send the telegraphic Christmas greetings, which arrived at a very opportune time, while the whole family was gathered together just after Christmas dinner. I trust you had a very Merry Christmas, and wish you a Happy New Year.

Very truly yours,

R. H. BERGEN

Direct-U-Systems

rhb/s

GJS

(Cut) Allied Member AHA

Our Direct-U-Systems Direct Buying Dollars  
to You and Tell Your Message

[Endorsed]: Filed 9/23/42.

DEFENDANT'S EXHIBIT VV  
VERIFICATION OF ASSISTANCE GIVEN TO  
FRANCHISE OWNER

Franchise Owner: R. A. Burke

Operating as: Burke Advertising Agency

Address: 625 Hyde Street, San Francisco, California

Assistance given on April 13, 1939

By A. Martinez, as Division Manager  
of Direct-U-Systems

[✓] 1. Hotels Leased

Bellevue  
Fielding  
El Cortez  
Governor  
Golden State  
Powell  
Shaw  
Sutter  
Mark Twain  
Clark

[X] 2. Assisted in securing 3 salesmen (Also Sales Manager (X) ), all as selected by Franchise Owner as a satisfactory starting organization.

[X] 3. Received full equipment as outlined in the agreement (with exception of photographs which are to follow.

To: Direct-U-Systems

Your representative named above has done, or assisted me to do, each of the items checked. Accordingly, I have now received all assistance you agreed to furnish me, and all supplies for use in my first campaign, and believe that I will be able to carry out my part of our Agreement without further assistance.

Signed: R. A. BURKE

Date: April 20, 1939.

[Endorsed]: Filed Sep. 23, 1942.

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DEFENDANT'S EXHIBIT WW

Pittsburgh, Pa.

Jany. 26th 1940

Mr. E. M. Schutt,  
Cleveland, Ohio.

My Dear Earl:

Referring to the second paragraph of your letter of the 25th. You and I called upon the Auditorium, the Carter and also the Allerton. The only one that mentioned a service, or that seemed to know anything of an electric map, was the Allerton. And from what we were able to understand from Mr. Riley, he was a believer in the idea, in fact so much so, was willing to give a lease if he could be relieved of the one held by Robot. As I understand it, you were to call back on the other two mentioned the week I left for your answer. If it was

found that they had also given leases, of course this was something I knew nothing of. There is one thing sure, the Cleveland and the Hollenden made no mention of an objection from this source, instead, Mr. Marsh is somewhat friendly to the idea and I am satisfied this hotel can be secured if you keep after it, especially so inasmuch as the Fort Shelby of Detroit have given a lease. As to the Cleveland, Mr. Pierce made mention of the fact that he had been offered a service, we convinced him that it was not of the same nature, he seemed to favor our system and plan, promised to investigate. Am sure if you follow up this lead and especially with the assistance of Mr. Mark Regan you will succeed. I feel that you are simply jumping at conclusions when you say that it would be impossible for you to secure any leases from these people, in view of the fact that other hotels have given leases on another service. Why should they? The Cleveland and Hollenden have no interest in what the hotels you mention do. If they like the service, and certainly it is far superior to any other offered, they will take it regardless of what the other hotels think or do.

Answering the third paragraph of your letter. I certainly do believe that if you present to the hotels, even those that have given the Robot leases, your service, calling their attention to the drop display card and especially in view of the fact that it has the full endorsement of Mark Regan, Mgr. of the Cleveland Convention Bureau that he recommends it as an outstanding Civic Betterment, and

only because it contains this drop card display, giving you an opportunity of placing in the cabinet, pictures of points of outstanding interest of the city, something the other service can not do, that you can get them to consider you very seriously. As far as locations that have given no leases, you should have no trouble whatsoever.

[Printer's note: Referring to circled words in paragraph above, a penciled notation in the margin reads as follows: Mark Regan of Convention Bureau said he had seen board at N. Y. convention and that it seemed a good idea—BUT not to use his name as reference.]

The whole story, as I see it Earl is, As soon as you found competition in the field, regardless of the nature of it, that you have immediately lost heart, have thrown up both hands and have settled down to the fact that IT CANT BE DONE, Where as, there are a number of very favorable locations in the city of Cleveland that are just as good as the down town locations mentioned, on which, if worked, you can secure, that will pay you an equal revenue to any of the down town locations. It would seem to me that points of this nature should receive your attention, especially for the present and until such time as your competitor died out, which apparently will not be long, if the report given us by Better Business is correct. Then later when the down town hotels see that their leases are not being fulfilled, they will welcome you. In the meantime continue working such hotels as you know have given no leases. You have every advantage and



especially with the endorsement of Mark. Further, I am satisfied he will render you a lot of assistance if you will ask for it. Not alone from this source, but your standing in town is such, that many will assist you, if you will ask for their assistance, in helping you put it over.

To me it seems a shame that you should become so discouraged so early in the game. What would have happened to Ford or a few other of our successes if they had of scared out at the first sign of competition? There is nothing different about this. It seems to me, you should draw your belt up an-

GJS

other notch, **GO OUT AND PUT IT OVER.** Not waste a lot of time and effort in finding fault with an idea that is a **MONEY MAKER**, if properly handled. Think of the territory you have to work on. You have half a dozen cities you could work, even outside of the many favorable spots now available in Cleveland, any one of which will make you nice money.

There seems to be some differences of opinion between us in regard to your paragraphs four, five and six that I am not going to make an attempt to rehash at this time. As to your paragraph seven, I am a representative of the Direct U Systems and as such, feel naturally, they should be fully and promptly advised of any dissatisfaction which might arise in any territory I may be working therefore, you can rest assured, all correspondence that has passed between us, or that may pass between us, will be forwarded to them promptly. Insofar as I

am concerned, you will remain the owner of the franchise as assigned and as fully outlined in the contract. If any other arrangement, it will be between you and the company direct.

It would be my suggestion, that you go to work and put this thing over. It can be done, is being done and you are the boy that can do it, if you will just make up your mind and GO TO IT. Remember, there never was anything worth while handed to any one on a "Platter."

With best regards and trusting that you will  
START THE WHEELS OF PROGRESS, I am,  
Sincerely yours,

[Endorsed]: Filed Sep. 29, 1942.

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## DEFENDANT'S EXHIBIT XX

Pittsburgh, Penn.

Jany. 23rd 1940

E. M. Schutt,  
Cleveland, Ohio

My Dear Earl:

I have delayed somewhat answering your letter of the 22nd, due to the fact that I have had so many interviews that it has been impossible for me to take the time off.

I can assure you of this fact, all I know of any other map company is just what you and I found out when we went to see Better Business. I was just as surprised to learn of a franchise having

been let to some one in Cleveland as you were. I had no concern over the matter, owing to the fact that the franchise operator seemed to be in trouble over his connection, Better Business having reported to the both of us that said franchise operator had taken the matter up with them, owing to the fact that he seemed unable to get them to answer his correspondence. As to any competition, on account of these facts, it looked as though there was none. To this you agreed after our interview.

Now, as to their having a number of leases on down town hotels, this is far from the facts. You and I called on all down town hotels and the only one that we found that had given a lease was Mr. Riley of the Allerton. Your prospects are good at the Cleveland, Carter, Hollenden and many other of the outside places that I called upon.

I can not, for the life of me, understand why you should feel like stopping operations at this time. While there appears to be some competition, it seems to me that you should make some attempt to investigate the nature of it, that is the nature of the board they are putting out. I think that if you will do this that you will not consider it competition. From what I am able to learn, having secured the information from B.B. the equipment is not like ours. I understand that it does not contain the "Display Card" which is the most valueable part of the service, this gives the advertiser a change of copy every thirty days in addition to the listing. Am sure that if you call the advertisers attention to this service, he cannot help but agree that ours offers much more for the money.

In regards to securing locations, you will agree that I called upon all hotels of importance in down town Cleveland with you. In the case of the Cleveland, it was a case of your working on them, the Hallenden, was a case of delay however you were to continue to contact them (I left the door open). The Carter, Mr. Thomas was out of town and you were to contact him last week and the many other points I called upon were to be contacted later by you and I left with you all of the necessary information for a follow up. Then I left with you a letter with a list of 7 different locations for you to have signed up by the Melrose Hotel System and in duplicate, copy of which you were to send me the next day. Mr. Melrose placed on this list 7 locations to which he agreed on installations. As yet you have failed to send me this letter. Will you please arrange to attend to this immediately.

Insofar as our having failed to fulfill our part of the contract, that is as to securing locations, you will remember that as soon as I arrived in Cleveland I asked you if I should get right out and line up five locations, your answer was to the effect that I should not worry about, all you wanted was the assurance that I would go around with you on a few calls, simply to allow you to get the hang of the approach as from then on you could take care of it yourself. Had you have stated anything otherwise you can rest assured I would have signed up 5 hotel leases and if you insist upon the fulfillment of this part of it, rest assured it will be done. The Melrose line takes care of that part of the agreement.

It seems to me, Earl, that you are becoming discouraged a little early in the game, you have not insofar as I can see, given the deal any kind of a work out. I can name a dozen locations, all good

GJS

which you will be able to secure with a little effort on your part. The idea of you becoming a little discouraged and feeling that it can not be done this early in the game, shows a weakness on your part that I never considered was in your make up.

As to my coming back to Cleveland and reselling the franchise, I have no intention of so doing. There is no reason for even considering such a move. You went into this deal in good faith, there was no misrepresentation in connection with the deal in any manner whatsoever, the company has fulfilled their part of the agreement in every manner and stand ready to offer you all of the assistance as is provided for in the terms of the contract. You might just as well make up your mind to the facts that you are in the Direct U Systems business, grit your teeth, forget the fact that there appears to be competition, get out and get some leases and go to work and put it over. It can be done and is being done.

You state in your letter that you were surprised to learn that I was to leave Cleveland when I did. If you will recall the conversation the Monday afternoon before my departure, you will remember that you stated you were fully satisfied with the manner everything had been handled and that you felt that from then on you would be able to work out everything that was hanging fire.



I am sending Los Angeles office your letter of the 22nd and also a copy of this letter so that they will know just how you feel in regard to the whole situation and I know you will hear from them immediately.

With best regards,

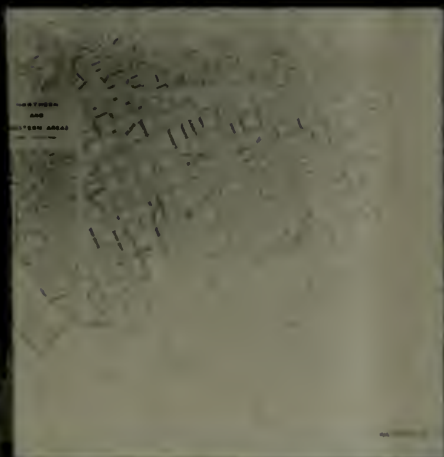
Yours truly,

[Endorsed]: Filed Sep. 29, 1942.



— DEFENDANT'S EXHIBIT ZZ —

## HAMILTON HOTEL ELECTRIC DIRECTORY



ROTARY LUNCHEON

HAMILTON HOTEL

HAMILTON HOTEL

— ENDORSED : FILED SEP. 24, 1942. —

1009



DEFENDANT'S EXHIBIT 3A

C. I. McReynolds

Advertising

1010 Vermont Ave., N. W.

Washington, D. C.

Tel: MEtropolitan 3134

Operator of

Direct-U-Systems

in the District of Columbia,

Maryland and Virginia.

Jan. 10, 1940.

Mr. C. W. Talbott,  
Direct-U-Systems,  
7225 Beverly Blvd.  
Los Angeles, Calif.

Dear Mr. Talbott:

I have had no acknowledgement of my letter to you of Jan. 3rd, and I much fear that delays are going to cost us the best of the seasonal opportunities, when merchants are allocating advertising budgets. If we get ready too late, we will have to wait a year, in some cases; therefore I hope that every effort will be made to avoid delay.

Please keep me posted on your progress on the cabinet intended for this city, so we can get our plans made at this end to make our mutual efforts effective.

Sincerely yours,

C. I. McREYNOLDS

CIM/M

GJS

[Endorsed]: Filed Sep. 24, 1942.



## DEFENDANT'S EXHIBIT 3B

C. I. McReynolds  
Advertising  
1010 Vermont Ave., N. W.  
Washington, D. C.

---

Tel: METropolitan 3134  
Operator of  
Direct-U-Systems  
in the District of Columbia,  
Maryland and Virginia.

Via Air Mail  
Special Delivery.

Jan. 23, 1940.

Direct-U-Systems,  
General Offices,  
7225 Beverly Blvd.  
Los Angeles, Calif.

Dear Sirs:

I attach hereto a clipping from this morning's Washington D. C. "Post" which tells of the resignation of Mr. Richard S. Butler as manager of the Hotel Hamilton.

This is the only hotel in the District of Columbia which was actually signed up for the installation of an Electric Directory of Direct-U-Systems, on which you are now working in accordance with our agreement to put on a demonstration.

I do not know what effect, if any, the resig-

nation of Mr. Butler as manager of the Hotel Hamilton will have; but obviously it would be well to hold up shipment of the demonstration cabinet until we can ascertain for certain that we have a place to put it.

The delay in securing an official map of the District of Columbia, and the delay in making up the demonstration cabinet, have been very discouraging; now comes this further uncertainty. I will, however, look into the matter at once and give you a further report.

Yours very truly,

C. I. McREYNOLDS

encl.

Butler Becomes  
Hotel Manager

Appointment of Richard S. Butler as manager of Hotel 2400 Sixteenth Street is announced by Weaver Brothers, Washington realty firm. Butler has resigned as manager of the Hotel Hamilton and will take over his new duties tomorrow. He has previously been associated with the Manger Hotel chain since its entry into the Washington hotel field about five years ago.

Butler's early hotel training was received at the Princeton Inn at Princeton, N. J., and at the Hotel Seymour, New York City.

GJS

[Endorsed]: Filed Sep. 24, 1942.

## DEFENDANT'S EXHIBIT 3D

C. I. McReynolds  
Advertising  
1010 Vermont Ave., N. W.  
Washington, D. C.

---

Tel: MEtropolitan 3134  
Operator of  
Direct-U-Systems  
in the District of Columbia,  
Maryland and Virginia.

Feb. 1, 1940.

Mr. C. W. Talbott,  
president,  
Direct-U-Systems,  
Los Angeles, Calif.

Dear Mr. Talbott:

I have your letter of Jan. 30, sent by airmail, as I am coming to the office for the first time in some days, because of illness.

I note that the cabinet for the District of Columbia is nearing completion, and I see no reason why you should not complete it at the earliest possible moment, and ship it on to be installed. I anticipate no action on the part of the Hotel Hamilton which would dishonor their agreement, and wrote you first as a matter of caution, also because there has been some labor trouble at the Hotel Hamilton, which is now settled; I enclose a clipping of a few days since speaking of this, and one

of last night which says that the trouble is settled.

I will take up with Mr. John J. Connolly, the new Manager, the matter of installing this cabinet, as soon as I have sufficiently recovered. In the meantime I cannot see that he can go back on the signed agreement.

I am still annoyed over the delay, as we should have gotten it installed before Mr. Butler left, and we could then have benefitted by the Jan. 30 President's Birthday Ball at the Hamilton. This would have given us some good publicity.

I also feel that you have been negligent in not getting at the matter of an official map, long ago. It is not right that I should be delayed by this oversight.

Sincerely yours,

C. I. McREYNOLDS

### Hamilton Hotel Strike

#### By Thursday Threatened

Unionized employes of the Hamilton Hotel are prepared to act on a previously-taken strike vote if a new contract is not signed by next Thursday, James McNamara, international vice president, Hotel and Restaurant Employes' Alliance, announced today.

Mr. McNamara said the Labor Department's Conciliation Service had intervened in an effort to settle the controversy, but that thus far no progress has been reported. He said both the hotel and the employes were standing firm on their demands concerning wages.

Hamilton Signs  
Contract, Ending  
Threat of Strike

The Hamilton Hotel yesterday renewed the year-old contract with its 300 employes governing wages, hours and working conditions. This ended a month of dispute two days before a strike deadline that was set for tomorrow.

The contract includes closed-shop and check-off provisions, vacations with pay and arbitration of disputes. It forbids deductions for uniforms from the wages of maids and waitresses. Wages were left unchanged.

GJS

[Endorsed]: Filed Sep. 24, 1942.

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DEFENDANT'S EXHIBIT 3E

VERIFICATION OF ASSISTANCE GIVEN  
TO FRANCHISE OWNER

Franchise Owner: C. I. McReynolds

Operating as: C. I. McReynolds

Address 1010 Vermont Avenue City Wash-  
ington, D. C.

Assistance given on (dates) from October  
7th to October 21st, inclusive

By Warren W. MacNeill as Division Mana-  
ger of Direct-u-systems, Inc., of Los Angeles,  
California



- [X] 1. Hotels  
Name: Hamilton      Location: 14th & K Sts., Washington  
Capitol Park      Union Station Plaza  
Also called on Willard, Shoreham, Wardman Park, Dodge, Mayflower and Washington. We expect to sign all or most of these Hotels.
- [X] 2. Assisted in securing 3 Salesmen (also Sales Manager [---]), all as selected by Franchise Owner as a satisfactory starting organization.
- [X] 3. Assisted at meetings in training and informing sales organization.
- [ ] 4. Helped Franchise Owner find and rent suitable office quarters.
- [X] 5. Assisted in compiling adequate list of prospects to be mailed special letters.
- [X] 6. To express my deep appreciation of the very fine assistance given me by Mr. Warren W. MacNeill, a man of high attainments, exceptional personality and thorough loyalty and trustworthiness.

To: Mr. Talbot:

Your representative named above has done, or assisted me to do, each of the items checked. Accordingly, I have now received all assistance you agreed to furnish me and all supplies for use in my first campaign, and believe that I will be able to carry out

my part of our Agreement without further assistance.

Signed: C. I. McREYNOLDS

Date: October 23rd, 1939

[Endorsed]: Filed Sep. 24, 1942.

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### DEFENDANT'S EXHIBIT 3I

#### Direct-U-Systems Map Location Chart

City..... District No..... Date.....

Business: Name..... Address.....

1. Write in plainly the names of all four streets around the block in which client is located.
2. At exact location, draw a rectangle with a cross inside it.
3. Make in duplicate (use carbon sheet) and forward both copies to

Direct-U-Systems, Los Angeles, California

[Endorsed]: Filed Sep. 25, 1942.

DEFENDANT'S EXHIBIT No. 3L

Martin M. Oslie  
Owner - Manager

Phone 3270 R

Direct-U-Systems Of Colorado  
Franchise Owner  
Direct-U-Systems  
~~1914 North 7th Street~~  
Colorado Springs, Colorado

Dec. 19, 1941  
108 Swope Ave.

Mr. C. W. Talbott  
7225 Beverly Blvd  
Los Angeles, Calif.

Dear Mr. Talbott;

The Directory at the Cosmopolitan Hotel was installed yesterday and I think the cabinet is very beautiful and the map is so plan that any stranger should understand it and find it much easier to get acquainted in town.

Will start working on sales for installing a directory at the Antlers Hotel at \$104.00 a space in Colo Spgs and one in Denver for the Brown Palace soon.

Wishing you a Merry Christmas.

Yours truly

MARTIN M. OSLIE.

(Cut) Allied Member AHA

Direct-U-Systems Direct Buying Dollars to You  
and Tell Your Message

(Envelope)

(Stamped) Colorado Springs Dec. 19 1941 4:30 PM  
Colo.

Direct-U-Systems of Colorado

~~1914 North 7th Street~~

Colorado Springs, Colorado

108 Swope Ave.

Mr. C. W. Talbott

7225 Beverly Blvd.

Los Angeles,

California

[Endorsed]: Filed Sept. 25, 1942.

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DEFENDANT'S EXHIBIT 3 O

## Memorandum

To: C. W. Talbott

April 10, 1940

From: F. H. Boyer and G. H. Broderick

Subject: Your Two Letters of April 8 and Ac-  
knowledgement of Rotating Machine Shipment.

\* \* \*

The rotating machine arrived by express shortly before noon today. It was well crated and came thru in fine condition.

We are greatly pleased with this mechanism.

With Mr. Broderick's mechanical and electrical experience, we encountered no difficulty in placing the machine into perfect operation.

We are very enthused about the design and mechanical features.

We have run through your 60 test cards and they operate perfectly.

We note however, that the test cards are  $11\frac{7}{16}''$   
 $1/8$

x  $9\frac{2}{16}''$ ,—as we have mentioned previously,—our cards are  $9\frac{1}{2}''$  x  $11\frac{1}{2}''$ .

However, we have not yet tried them in the machine,—we shall do so this afternoon. It is quite likely that it will be necessary to trim our cards to the size of your test cards.

Since the arrival of the rotating apparatus, we are much more anxious concerning the arrival of the board proper.

So far we have been unable to get any information concerning the board as explained in our memo to you of April 8.

We have checked every available source in Detroit but,—this was all in vain.

We certainly hope that you will start a wire tracer from Los Angeles. Since you are on the “home ground”,—you are in a better position to follow the shipment thru.

From previous information, we estimated that the board should have been here yesterday or the day before.

Interest in Detroit concerning the Direct-U-Systems is now at a high ~~position~~ pitch and we are very anxious to climax this with a demonstration of the board. Each day we have telephone calls and personal inquiries asking when the board will be installed.



We do not want this enthusiastic fever to get away from us.

Again, we want to mention our pleasure with the rotating machine. We assure you that very soon we hope to have your men making duplicates of this apparatus.

FHB:JC

GJS

[Endorsed]: Filed Sep. 25, 1942.

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DEFENDANT'S EXHIBIT No. 3P

Memorandum

To: C. W. Talbott

May 2, 1940

From: G. H. Broderick—F. H. Boyer

Subject: Return of Rotating Machine.

\* \* \*

This acknowledges your telegram of May 1st and your letter of April 29.

In my brevity,—I fear that I might have misled you.

The condition is not sufficiently acute to justify sending the machine back.

In fact it will operate perfectly on cards that are perfectly flat, such as the 60 you sent with the machine.

However, when the cards have gone through the printing routine,—they acquire a “buckle” and this has doubtless been the disturbing factor.

Prior to the receipt of the machine,—we were unable to get paper size,—and the type of data

that we now have but,—believe we have nearly reached the point of “passable operation.”

\* \* \*

Our next installations will probably also be a 20 card machine,—and if you wanted to get the rotating mechanism ready and send it to us,—we could then return this equipment to you but right now, even though it might jam occasionally,—we must keep it in operation so that we can carry out our future sales program.

The furthest from our mind now is the getting of letters and contacting of newspapers because we do not yet feel sure of the machine operation.

If the Mayor or the Governor should inspect the board,—we surely hope it will be operating. After we feel more certain,—we will make it a point to see that both of the above named and several other important people inspect the installation and give us a letter that will be very usable in your proposed program.

GHB:JC

GJS

[Endorsed]: Filed Sep. 25, 1942.

## DEFENDANT'S EXHIBIT No. 3Q

Direct-U-Systems    Economy Waste Receptacles  
Office of  
Geo. H. Broderick Secy.-Treas.

Telephone  
Randolph 7730

General  
Management  
Corporation  
409 Griswold Street  
Detroit, Mich.

May 13, 1940

Mr. C. W. Talbott  
c/o Direct-U-Systems  
7225 Beverly Blvd.  
Los Angeles, California

Dear Mr. Talbott;

It is indeed a pleasure to report the much improved operation of the card machine.

When we receive the "push shoes" I wrote you about the other day, I believe so far as the mechanical part goes it will be almost perfect.

On the enclosed sketch we have numbered the shafts as they would show looking in at the side of the machine away from the motor.

On shaft #5, are two black rollers in the center which have a very decided tendency for marking the cards.

Would it be possible for you to send us the same

rubber as contained on either #2 or #3? If so please rush them to us.

\* \* \*

Also the center spring on the door that pushes the cards back marks them and I believe if you constructed a spring along the lines of those used in the typewriter to guide the paper around the roller that the marking tendency would be entirely overcome.

This spring does not push very hard and merely insures that the card after it leaves roll 4 and 5 is pushed back away so that it will not obstruct the next card coming through.

On the attached sketch I have undertaken to give you my idea.

If you can send us something of this sort we can drill it here and make the installation.

GJS

\* \* \*

## II

Sometime during the afternoon or evening yesterday, the button to the Club Imperial—#45, stuck and this morning we found the Imperial light still burning but one of the hotel lights burned out.

The clerk was at a loss to know what to do as he did not know which button was sticking.

However this was easily corrected and the board is now operating.

\* \* \*

In one of your other letters you referred to our method of getting subscriptions.

In reality Mr. Talbott we are following exactly the same lines as on the original lease and service Agreement form.

The only difference is that we are stressing the furnishing of cards only on items of current interest today.

For example, the picture show will receive a card with their subscription also the shoe store may have one on the board occasionally.

However, we explain that we prefer to avoid the showing of regular bill board advertising.

We will be glad to put on a card announcing the receipt of a big shipment or a "special sale this week" or something of that sort but we do not want to load the board up with a whole mess of signs that simply say that the shoe merchant has good shoes or something of that sort.

In this manner, it will enable us to get a good price on many of the special attractions after we get things established.

you

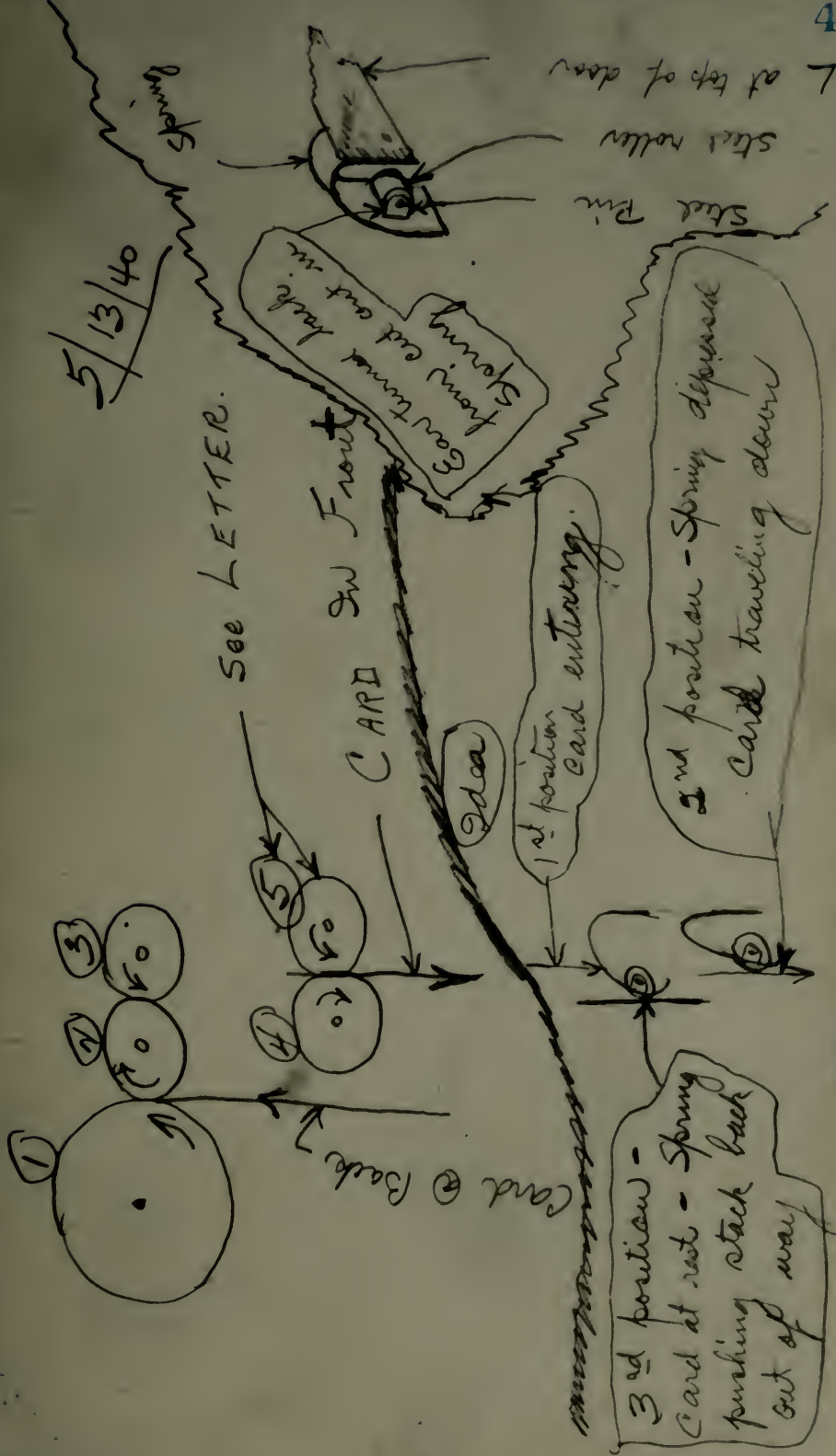
Hoping that ~~this~~ will be able to send us the push shoes and roller rubbers in the very near future and with kindest regards, we are,

Very sincerely yours,

G. H. BRODERICK.

GHB:JC

Enc.



[Endorsed]: Filed Sept. 25, 1942.





DEFENDANT'S EXHIBIT No. 3R

Direct-U-Systems      Economy Waste Receptacles  
Office of Geo. H. Broderick Secy.-Treas.

Telephone  
Randolph 7730

General  
Management  
Corporation  
409 Griswold Street  
Detroit, Mich.

May 8, 1940

Mr. Talbott;

Your letter May 6th received and we will try to have the photographs made next week.

The rotating machine is running very much better and we have now started out on our contacts to get the Fort Shelby board fixed up.

In all probability, it will be only a 60 button board and the rotating mechanism will probably be for only 20 to 25 cards.

Incidentally, we find the machine operates much better on a stock like the enclosed sample so if you are going to do anything in this regard before we get definite instructions to you, we suggest you plan the layout on the basis of board like the sample.

Some nice compliments are beginning to come to us verbally and we will arrange to get some letters on the subject before long.

With kindest regards, we are,

Yours very truly,

GENERAL MANAGEMENT

CORPORATION

G. H. BRODERICK

GHB:JC

GJS

[Endorsed]: Filed Sep. 25, 1942.

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DEFENDANT'S EXHIBIT No. 3T

June 5, 1941

Dayton, Ohio

A. Martinez—Div. Mgr.

Direct-U-Systems

Los. Angeles, California

Dear Sir:

As you no doubt recall, I had the pleasure last year of representing your firm in Dayton, Ohio, in connection with the sale of Commercial Listing in the Dayton Biltmore Hotel Electric Directory. My experience with this Directory was most satisfactory and profitable. The response of local merchants, Chamber of Commerce, and Hotel Management was most gratifying. It is with that remembrance in mind that I am writing this letter.

It has come to my attention that the franchise for this territory is about to be taken. Although I have an excellent position with OPM I am not adverse to making money on the side. Particularly as my present employment gives me many

hours of time which could be put to profitable use elsewhere.

Last year I handled all sales for the present Directory and would like to again assume that responsibility for the new franchise owner. Due to my knowledge of local business firms, their executives and past sales experience, I feel that I could completely sell the listings in the Directory in three to four weeks. I know that we could make a successful and profitable business out of such an item as your Electric Directory.

Please present this letter to the new franchise owner and request that he get in touch with me at his earliest convenience.

Trusting that we may again resume business relations in the near future, I beg to remain,

Sincerely yours,

CHARLES H. WHEATLEY

C. H. Wheatley

CHW/bg

P. S. I may be reached at the following address: Residence,

2620 Marcella Ave.

Dayton, Ohio

TA-5420

Business;

Office of Production Management

Mutual Home Bldg.

Dayton, Ohio

KE-5591

Ext-106

[Endorsed]: Filed Sep. 25, 1942.

DEFENDANT'S EXHIBIT 3W

DISTRICT MANAGERS GUIDE

MANUAL  
OF  
PROCEDURE

This Guide is written and distributed by The Direct-U-Systems, for the use of our District Managers or Franchise Operators.

It is a compilation of the methods of procedure employed by

Direct-U-Systems  
in organizing local territory and merchandising  
Direct-U-System service.

The District Manager's Guide

While the District Manager is responsible to Direct-U-Systems for certain phases of the business, and certain basic rules, he is in reality an individual contractor conducting his own business and should plan to build it into a permanent future.

Keep in mind at all times that you are Not selling Advertising but you are selling a real service. Direct-U-Systems renders a service that it is impossible for the merchant or professional man an opportunity to reach the traveling public or those that are conceded to be the "Money Spending" public in a new, unique and intelligent manner that it is impossible for them to reach in any other way.

BUT since the success of Direct-U-Systems is dependent upon the success of its local managers or

## Defendant's Exhibit 3W—(Continued)

Franchise Operators as they are sometimes called, Direct-U-Systems has worked out a plan of procedure, based on experience, which if adhered to, will bring success to the Company, and all concerned with its affairs.

## First—

Upon the agreement being entered into whereby a certain well defined territory has been, for the exclusive use of Direct-U-Systems, allotted to a District Manager, the Manager must then decide where in this territory he desires to start his first installation. He then decides in what hotels he is desirous of making his first installation.

## Second—

A lease is then secured by the District Manager with the help or assistance if necessary, of the Home Office, or in the event a Division Manager of the Company is in the area he will assist.

## Third—

Next, from a diversified list of different outstanding business organizations and professional men in that community, 200 names are chosen by the District Manager from the various classifications selecting only the highest type of representative in each classification. This list of names, future prospects, is then forwarded to the home office, who in turn prepare and send you 200 letters, all addressed and with the necessary postage affixed, ready for your signature. This procedure can be taken care of while the company's Division Manager is still with



Defendant's Exhibit 3W—(Continued)  
you, as he will assist you in the details, etc., if you desire it.

Four—

Authentic Map of City and Transmit to Home Office.

a. Mark out with heavy lines the approximate square section which should be shown on the Map. The Map can take in about 25 long blocks, 35 medium; 45 if very short. Smaller scale than this makes it hard to show more than one or two locations in a block.

b. Write on margin of map the next city of any importance to which each main road leading off the section of map to be shown will lead.

In the same way note also those streets which lead off to airports, athletic fields or other important features not included in map.

c. With map send location chart (D-5) for hotel where map will be installed.

Five—

List of Gratis "Public Interest" Listings:

Compile this at once: There are many advantages from compiling this list at the very beginning and using it throughout the campaign.

a. It makes the Direct-U-Systems afford best possible service to the hotel guests, and will thereby directly interest the hotel.

b. By going out after permission to place these free listings the salesman must use, and thereby get in best shape to handle, the Selling Text and regular canvass; rather than salesman cutting his

## Defendant's Exhibit 3W—(Continued)

teeth on a hard-boiled prospect who must pay money.

c. Through proper choice of features for the free spaces, the Franchise Owner and the Direct-U-Systems get valuable endorsement and request a letter telling of their opinion of our services; of specific organizations, churches, etc, of which the names will be on the map, such as City-Hall—(Mayor); Court House—(County Supervisor); City Library—(Librarian); Chamber of Commerce—(Sec. or President); Post Office—(Post-Master); Outstanding Churches—(Pastor); Parks—(Park Commissioner); Auto Club—(Manager); etc., and tell them due to our desire to render a service to the stranger, we compliment the costs to them.

d. After these gratis listings are settled, then when the first pay prospect is approached, he is not getting the first space on the board, but the twenty-first; and the preceeding listings are all parties with whom he will be glad to be associated.

## Six—

The Local Manager will obtain and send into the Home Office a copy of the latest telephone book of their cities.

## Seven—

It is advisable for the District Manager to have three filing cabinets. These are desk size and can be purchased from the 5 & 10 store. In one card box a list of cards corresponding with the names to which letters have been written is kept; this is the master file. A duplicate card is then made of each name. The duplicate cards are given to the

## Defendant's Exhibit 3W—(Continued)

salesmen, seven each day to each man, two days after the letters corresponding to those cards have been mailed. On each correspondent card in the Master File, a notation is made of the name of the salesman that has been given that particular card and the date given to the salesman.

The salesman makes a complete report to the Manager of the result of his calls each day, if it is a call back or a future interview, that card is placed in the dated file under the date of the call back, to be given again to the salesman on the date of the call back.

The third file is a record of sales and payments, all information relative to this is written on the back of this card, and is put in the file under the letter of that customer's name. The information regarding the manner of payments is taken from the order blank.

All information on all cards is transferred on the back of the cards in the Master File; in this manner the manager knows by simply going to his file, who has been seen, and who has purchased, and all other data.

All sales are made on the stereotype order blank used by all district managers and are in quadruplicate. One copy being given to the purchaser, one copy is kept as a matter of record in the local office and one copy is sent to the Home Office and one copy for the salesman.

When an order is signed the salesman must be most careful in filling out his location chart, which is in triplicate—one for the local office record and

## Defendant's Exhibit 3W—(Continued)

two copies going to the home office. All managers are required to check on all location maps, that there will be no mistakes in locating the place of business of the subscriber in the right block and at the right place in that block.

The salesman must secure the copy to be used on the 8x10 Display Card that is furnished and this copy must be forwarded to the Home Office.

Where the salesman brings in a check with the order, that is recorded on the back of that particular card and also the amount of commission which has been paid the salesman on that order is likewise recorded.

You will now note that you have a complete record of all transactions, and by turning to any card in your index, can secure the information on that particular case at first hand.

All men must turn in FULL reports on all calls made, and these are filed as explained elsewhere in this guide. Be sure that men get full reports and write same on the back of their prospect cards.

### Matter of Compensation

The local manager of Franchise Operator is entitled to pay his men that commission which he desires, but we earnestly suggest that you pay your men a top commission, 20%, for by this method you get better men; they are better satisfied and you get much better results. There is sufficient profit in this business so that the local manager can well afford this expenditure.

Where a Sales Manager is employed, he is given an over-ride of 5% on all business done by all the

## Defendant's Exhibit 3W—(Continued)

men. It is well to choose from the three salesmen, a man who has had some experience as a Sales Manager. In this way he also works and makes calls and gets the additional commission on his own sales as well as those produced by his men.

## The Matter of Good Will

The matter of Good Will is an important function of the Franchise Operator. Remember that you are establishing your own business, that you are building for the future, that Good Will plays an important part in any business.

An alert up and coming business man creates Good Will through several channels. Personality, Service Rendered, and by taking an interest in his client's business and problems. It is well for the Franchise Operator to call on his clients, get acquainted, talk to him about his business, the results he is getting from Direct-U-Systems, etc. You need have no hesitancy in calling on a user of the Direct-U-Systems, it does the work, it actually directs customers to the subscriber's place of business and that is what he is interested in.

## The Matter of Developing Territory

Your success is Our Success, we are more than anxious at all times to assist and help you in any reasonable way that we can.

Our method of operating has been worked out after much study and expense, we believe that we have covered every contingency. We are always happy to receive your suggestions as to how our service may be improved.



## Defendant's Exhibit 3W—(Continued)

Eight—

It is necessary that the local manager keep a simple form of bookkeeping, a debit and credit system, where all cash receipts are recorded and where all disbursements are kept. In this manner the local manager has a double check on just where he stands and what has and what has not been paid in or paid out. These accounts should be recorded daily. If additional information is desired, request it from the Home Office.

Nine—

While it is necessary for the District Manager to have headquarters where he can keep his records, receive telephone calls and mail, and where he can receive his salesmen, he may maintain this in his home, or he may rent an inexpensive office or desk space at a cost of only a few dollars each month. For after all the listings for the Direct-U-Systems are not sold from an office nor by telephone and he will have only two or three salesmen.

The Matter of Salesmen.

(Where the Manager acts as his own Sales Manager as well as the executive head of the business.)

It is essential that all Franchise Operators be thoroughly equipped with a knowledge of this business; this knowledge he can acquire by studying our Sales Manual and material furnished.

The method of contacting Salesmen is by advertising in the local papers. It is not necessary that a man have previous sales experience, but it is desir-



Defendant's Exhibit 3W—(Continued)  
able, in order to be able to sell Direct-U-Systems service.

Upon the applicant answering your "ad"; interview him and first sell him on the merits of our systems. Let him know at the outset that you expect certain things of him. One is that he must stick to the truth regarding Direct-U-Systems; that he must make no false statements. Be sure that he is equipped with the following necessities before you engage him:

- (A) Intelligence
- (B) Ambition
- (C) The desire and ability to work
- (D) He must be honest and be able to tell the truth.

After the interview, if the applicant appears to have all the necessary qualifications, give him a copy of the Sales Manual with instructions to study it. After you have interviewed and decided on two or three men that you desire to employ, arrange to hold sales meetings or classes.

At these classes have the men canvass each other, and you or your Sales Manager offer suggestions and corrections as they proceed. This procedure serves TWO purposes.

First: It assures you that they know their stories.

Secondly: It takes away a great deal of the timidity which a new man is sometimes faced with. Telling the men quite frankly that this is one of the purposes in having the men canvass each other in class.

## Defendant's Exhibit 3W—(Continued)

It is certain, that if a salesman can intelligently tell his story in the office, before his fellow salesmen, he can then tell it properly to his prospect without timidity or fear.

If the Local Manager Employs a Sales Manager the same procedure is adhered to. It is the manager's duty to see to this.

## Suggested Rules of Discipline

Under our system each man is supposed to make (5) complete canvasses each day. This does not mean (5) calls because he may have to make a dozen calls to conclude (5) complete canvasses or interviews.

IT HAS BEEN PROVEN that if a man will learn his story, stick to it, and thoroughly canvass (5) people each day the results will surprise him, he will positively do business.

ALL men must report to start their days work at 8:30 in the morning, receive their calls from the Sales Manager and after a short Sales Meeting proceed to work. At the morning meetings, the Sales Manager should hold a general discussion of yesterday's activities. What new objections have been encountered and HOW to overcome them. In this manner the organization is at all times being perfected.

It is a HUMAN failing that men become discouraged, NEVER permit this,—always have a cheerful word for the fellow who is crestfallen. He may prove to be your TOP MAN.

We Do Not subscribe to that old fashioned sales

Defendant's Exhibit 3W—(Continued)  
method of Kidding salesmen along or furnish  
“canned” sales talks, But we have found that a good  
Honest pat on the back will do wonders for a man's  
morale.

We have found from experience that men go along  
sometimes for several days without doing much  
business, and We Have Also Found that if these  
fellows are working and making their calls and tell-  
ing their story intelligently, that eventually their  
work will tell and results will be produced.

Never “bawl out” the fellow who is working and  
still not getting the results you expect, rather en-  
courage him if he is working, he will come through.

We suggest that the District Manager submit to  
the Home Office a detailed report of any interviews  
made by the salesmen that did not result in “sales”  
as it is possible that suggestions may be made to  
overcome any difficulties.

Direct-U-Systems service is salable and is highly  
desired by the better type of merchant or profes-  
sional man if it is properly and intelligently pre-  
sented. This service can be presented strictly as a  
selective opportunity, the same as Rotary, Kiwanis,  
etc, membership is selective.

Read and study the sales suggestions as well as  
the Salesman's Guide so you will be able to present  
Direct-U-Systems service.

We are not desirous of our District Managers  
doing any “personal Selling” but we prefer that he  
maintain the position of the Executive or Adminis-  
trative head and in this way lend his efforts toward  
a supervisory capacity.

## Defendant's Exhibit 3W—(Continued)

Remember we are interested in your problems as it is through your success that we can all succeed. Keep us informed so we may be of assistance to you. The plan of operation and the equipment furnished you are the best that can be had, and have been developed after much expense, effort and experience has been used.

The contract forms have been developed to lend the greatest protection and yet are simple to use.

Care should be taken to furnish the details in filling out and checking the map location charts, the copy for the listing cards, as well as for the 8x10 Display Cards.

You are required to forward copies of the contracts and copy each day as received. In this manner it greatly assists the company in preparing the systems and to eliminate all possible delay in getting installations ready for shipment.

[Endorsed]: Filed Sept. 29, 1942.

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[Endorsed]: No. 10298. United States Circuit Court of Appeals for the Ninth Circuit. Norman H. Marshall, Appellant, vs. United States of America, Appellee. Transcript of Record. Upon Appeal from the District Court of the United States for the Southern District of California, Central Division.

Filed January 25, 1943.

PAUL P. O'BRIEN

Clerk of the United States Circuit Court of Appeals  
for the Ninth Circuit.

United States Circuit Court of Appeals  
Ninth Circuit

No. 10298

NORMAN H. MARSHALL,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

STATEMENT OF POINTS TO BE RELIED  
UPON ON APPEAL AND DESIGNATION  
OF RECORD TO BE PRINTED

The appellant hereby adopts as the points to be relied upon by him on appeal the assignment of errors appearing in the transcript of the record.

The appellant hereby requests that the Indictment and plea of the defendant thereto, the judgment and sentence of the court, the assignment of errors and the bill of exceptions be printed.

Dated: January 28, 1943.

AMES PETERSON

Attorney for Appellant.

Received copy of the within ----- this  
28 day of January, 1943.

LEO V. SILVERSTEIN,

U. S. Attorney

CHARLES H. VEALE

Asst. U. S. Atty.

[Endorsed]: Filed Jan 29, 1943. Paul P. O'Brien,  
Clerk.